TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1957

No. 55

AMERICAN AIRLINES, INC., PETITIONER,

vs.

NORTH AMERICAN AIRLINES, INC., AND CIVIL AERONAUTICS BOARD

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

PETITION FOR CERTIORARI FILED DECEMBER 17, 1956

CERTIORARI GRANTED JANUARY 28, 1957

SUPREME COURT OF THE UNITED STATES

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INDEX

	Original	Print
Proceedings in the U.S.C.A. for the District of Columbia Circuit		
Joint appendix containing the hearing before the Civil Aeronautics Board	A	a
Order of CAB, dated January 28, 1953	3	1
Excerpts from stipulation of facts	171	4
Excerpts from stipulation of documentary material	172	5
Initial decision of Walter W. Bryan, Examiner, and service thereof	183	6
Opinion of the CAB, decided November 4, 1953	199	22
Appendix—Excerpts from the initial decision of Walter W. Bryan, Examiner, etc.	218	40
Order of the CAB, dated November 4, 1953	229	51
Regulation, Serial Number ER-178, adopted August 19, 1952 and introductory note to said regulation	295	52
Opinion, per curiam	481	56
Order pursuant to remand by the Supreme Court	483	57
Order denying petition for rehearing	532	58
Clerk's certificate (omitted in printing)	535	58
Order allowing certiorari	536	59

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[fol. A]

IN THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 12,041

NORTH AMERICAN AIRLINES, INC., Petitioner,

v.

CIVIL AERONAUTICS BOARD, Respondent,

AMERICAN AIRLINES, INC., Intervenor.

ON PETITION TO REVIEW ORDER OF THE CIVIL AERONAUTICS BOARD

JOINT APPENDIX—Filed April 24, 1954

[fol. 3] Serial Number E-7107

BEFORE THE CIVIL AERONAUTICS BOARD
Washington, D. C.

Adopted by the Civil Aeronautics Board at its Office in Washington, D. C. on the 28th day of January, 1953

Docket No. 5774

In the Matter of the Application of NORTH AMERICAN AIRLINES, INC., for Authority to Conduct its Operations Under the Name of North American Airlines, Inc.

Docket No. 5928

In the Matter of an Investigation Pursuant to Section 411 of the Act of Certain Practices of NORTH AMERICAN AIRLINES, INC.

ORDER

Twentieth Century Airlines, Inc. (Twentieth Century), a North Carolina corporation, was issued a Letter of Regis-
[fol. 4] tration as a Large Irregular Carrier on July 22, 1947. Section 291.28 of the Board's Economic Regulations, adopted August 19, 1952, requires that, on and after November 15, 1952, any air carrier holding a Letter of Registration as a Large Irregular Carrier shall do business in the name in which its Letter of Registration is then issued and outstanding. However, such carrier may do business under such other or different name as the Board may by order permit, upon a finding that the use of such other name is not contrary to the public interest. The introductory comment to this regulation states that the November 15, 1952, cut-off date has been fixed so as to enable any carrier which has developed good will in a name different from that in which its Letter of Registration is held, to apply for and obtain permission to use such other name. Also it is pointed out that where good will has been established in a name by use thereof, the Board will deny permission to continue such name only in cases where it believes that a violation of Section 411 may be involved and

such fact has been established after notice and opportunity for a hearing.

According to information furnished by the applicant, the corporate name of Twentieth Century was changed to North American Airlines, Inc. (North American), on March 3, 1952, by amendment to its certificate of incorporation. On March 11, 1952, North American, by letter, requested the Board to reissue the Letter of Registration heretofore in the name of Twentieth Century to North American. On October 6, 1952, North American applied for Board authorization herein to use said corporate name in its business after November 15, 1952, in lieu of the name "Twentieth Century". In support of its application, North American alleges that: it has invested substantial sums of money and good will in the name "North American" at a time when there was no Board regulation of the names of air carriers. It follows, therefore, that the promulgation of Section 291.28 was not intended to apply to changes in name occurring prior to the adoption thereof. If it were intended to apply to such a change in name, the regulation is invalid on the grounds that (1) North American now possesses a vested property right in such name which the Board may not now abridge; and (2) a denial by [fol. 5] the Board of the application would result in an unlawful modification of the operating license held by North American. In the event the Board holds the regulation to be applicable to North American, the application requests Board authorization for use of such name.

American Airlines, Inc. (American), filed a memorandum on October 17, 1952, requesting denial, alleging that: (1) approval of the application would permit nullification of the cease and desist order Serial No. E-5171 against Oxnard Sky Freight and flouting of the Board's regulatory processes; (2) the name "North American" infringes upon the established name of American, and constitutes unfair competition within the meaning of Section 411 of the Act, and that (3) North American has no vested right or established good will in the name "North American" which the Board is bound to recognize. On November 5, 1952, American

filed "Supplement No. One" to said memorandum, setting forth evidence by way of affidavits that confusion results from the deceptive similarity of the name "North American" to the name "American".

We have considered the foregoing matters, and have concluded that they raise important issues of fact and law which can only be decided after a hearing, as is provided for under the aforementioned regulation. Accordingly, we have decided to defer action on North American's request of March 11, 1952, to institute an investigation to determine whether the use of the North American name by the applicant has constituted or does constitute an unfair or deceptive practice or unfair method of competition within the meaning of Section 411 of the Act, from which practice or method the Board should order North American to cease and desist, and to consolidate that investigation for hearing and decision with North American's application in Docket No. 5774. Pending the Board's final decision in this proceeding the continued use of the North American name by applicant shall not be deemed to constitute a violation of Section 291.28.

Accordingly, it is ordered that:

(1) An investigation, assigned Docket No. 5928, be and hereby is instituted to determine whether North American in engaging in air transportation under the name of [fol. 6] North American Airlines, Inc., North American Airlines, or North American has been and is engaging in activities and practices in violation of Section 411 of the Act, and if any such violation is established, whether the Board should issue an order directing North American to cease and desist from such violations;

(2) Said investigation be and hereby is consolidated for hearing and decision with North American's application, Docket No. 5774, and that said consolidated proceeding be immediately set down for hearing before an Examiner of the Board at a time and place to be hereafter announced;

(3) Action on North American's request of March 11, 1952, be and it hereby is deferred until final disposition of North American's application herein; and

(4) Except to the extent specifically granted herein, the request of American be and it hereby is denied.

By the Civil Aeronautics Board:

/s/ M. C. Mulligan, Secretary.

(Seal)

[fol. 171] BEFORE THE CIVIL AERONAUTICS BOARD

[Title omitted]

EXCERPTS FROM STIPULATION OF FACTS

The following items are stipulated as facts for purposes of this proceeding:

1. American Airlines, Inc. was incorporated in Delaware on April 11, 1934, and commenced business on May 13, 1934 when it acquired all of the assets of American Airways Inc., which had been incorporated January 25, 1930. Since commencing business, American Airlines, Inc. has continuously engaged in the air transportation of persons, property and mail. Pursuant to certificates of public convenience and necessity duly issued under the Civil Aeronautics Act, American Airlines, Inc. is, and has since prior to August 22, 1938 engaged in such air transportation on a regularly scheduled basis between, among other places, New York, Chicago and Los Angeles.

2. Twentieth Century Airlines, Inc. was incorporated in North Carolina on May 4, 1946, and holds a letter of registration as a large irregular air carrier. On March 3, 1952, Twentieth Century Airlines, Inc. amended its articles of incorporation so as to change its name to North American Airlines, Inc. Since on or about April 21, 1951, Twentieth Century Airlines, Inc. has engaged in the air transportation of persons between, among other places, New York, Chicago and Los Angeles under the name "North American Airlines" or "North American."

3. American Lines, Inc. has registered the name "American Airlines" under the Federal Trademark Act,

15 U. S. C. 1051 *et seq.* on the Principal Register (No. 514294) as a service mark used in connection with the furnishing of air transportation. An authentic copy of such registration certificate is reproduced as American's Exhibit AA-3 in this proceeding.

. . . . . .

[fol. 172] BEFORE THE CIVIL AERONAUTICS BOARD

[Title omitted]

EXCERPTS FROM STIPULATION OF DOCUMENTARY MATERIAL

It is hereby stipulated and agreed by and between counsel for the parties and intervenors herein and Bureau Counsel that the following documents and material shall, by this reference, be incorporated into and considered a part of the record in this proceeding:

1. The Official Guide of the Airways for each month prior to April, 1943; the Universal Airline Schedules for each month from April 12, 1943 through September, 1944; the American Aviation Traffic Guide for each month from October, 1944 to and including October, 1948, and the Official Airline Guide for each month prior to and including the date of oral argument before the Board in this proceeding;

. . . . . .

5. Monthly reports, Forms 2380 and 2789, for each month through December, 1946, and monthly and quarterly reports, Forms 41 and 41 (a) filed with the Board by American Airlines, Inc. prior to and including the date of oral argument before the Board;

. . . . . .

7. Airline Traffic Surveys for September, 1946, March, 1947, September, 1947, March, 1948, September, 1948, March, 1949, and any similar surveys issued or made available to the parties by the Civil Aeronautics Board prior to the date of oral argument before the Board in this proceeding;

8. Recurrent Reports of Mileage and Traffic Data, of all Domestic Airline Carriers, 1945-1949, prepared by the Economic Bureau of the Civil Aeronautics Board, and any similar recurrent reports officially released by the Civil Aeronautics Board prior to the date of oral argument before the Board in this proceeding;

. . . . . .

[fol. 173] 11. Letter of March 11, 1952 to the Civil Aeronautics Board advising it of change of name of Twentieth Century Airlines, Inc., to North American Airlines, Inc. and suggesting reissue of letter of registration in new name.

. . . . . .

[fol. 183] BEFORE THE CIVIL AERONAUTICS BOARD

NORTH AMERICAN AIRLINES, INC.

Docket Nos. 5774 and 5928

In the matter of the application of North American Airlines, Inc., for authority to conduct its operations under the name of North American Airlines, Inc., and an investigation pursuant to section 411 of the Act of certain practices of North American Airlines, Inc.

INITIAL DECISION OF WALTER W. BRYAN, EXAMINER

Served: June 19, 1953.

Upon:

Hardy K. Maclay, 1317 F Street, N.W., Washington 4, D.C., for North American Airlines, Inc.

Clifton J. Stratton, Jr., 701 Union Trust Bldg., Washington, D. C., for American Airlines, Inc.

Robert M. Johnson, Office of Enforcement, Civil Aeronautics Board, Washington 25, D. C.

John J. Stowell, Bureau of Air Operations, Civil Aeronautics Board, Washington 25, D.C.

This decision shall become final 10 days after the date of service shown above and shall become effective upon the issuance of a Board order pursuant to Rule 28 of the Rules of Practice, unless within such 10-day period exceptions thereto are filed by one or more of the parties with the Docket Section, Civil Aeronautics Board, Washington 25, D. C., and served upon all other parties. If exceptions are filed within the period prescribed, briefs may be filed and served on all other parties within a further period of 10 days.

[fol. 184]

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
Washington, D. C.

NORTH AMERICAN AIRLINES, INC.

Docket Nos. 5774 and 5928

Concluded:

1. That the use of the name North American, or any combination of the word "American" by Twentieth Century Air Lines, Inc., constitutes an unfair or deceptive practice and an unfair method of competition within the meaning of section 411 of the Act.

2. That the public interest requires that the application of Twentieth Century Air Lines, Inc., Docket No. 5774, for authority to engage in air transportation under the name North American Airlines be denied.

3. That an order be issued against Twentieth Century Air Lines, Inc., to cease and desist from using the name "American" in any combination of words to designate its name.

Appearances:

Hardy K. Maclay for North American Airlines, Inc.
Howard C. Westwood, Ernest W. Jennes, and Clifton J. Stratton, Jr., for American Airlines, Inc.
Robert M. Johnson, Enforcement Attorney

INITIAL DECISION OF WALTER W. BRYAN, EXAMINER

This proceeding arises as the result of the Board's order serial No. E-7107, dated January 28, 1953, in which it is ordered that an investigation be instituted to determine whether North American Airlines, Inc., formerly Twentieth Century Air Lines, Inc., in engaging in air transportation under the name of North American Airlines, Inc., North American Airlines, or North American, has been and is engaging in activities and practices in violation of section 411 of the Act, and if any such violation is established whether the Board should issue an order directing North American to cease and desist from such violations. [fol. 185] It is indicated in the record that on March 11, 1952, Twentieth Century Air Lines, Inc. (Twentieth Century) advised the Board that the corporate name of Twentieth Century had been changed to North American Airlines, Inc. (North American) effective March 3, 1952, and it requested the Board to change its records accordingly and reissue its letter of registration in the new name.

On August 19, 1952, the Board adopted an amendment No. 7 to Part 291 of its Economic Regulations, effective September 23, 1952. The above amendment added a new section, 291.28, *Business Name of Air Carrier*, which provided:

> "On and after November 15, 1952, it shall be an express condition upon the operating authority granted by this Part and the letters of registration issued hereunder that the air carrier concerned, in holding out to the publ[illegible] and in performing air transportation services shall do so only in a name the use of which is authorized under the provisions of this section.
>
> (a) Except as otherwise provided under paragraph (b) of this section, an air carrier may do business in the name in which its letter of registration is then issued and outstanding, including abbreviations, contractions, initial letters, or other minor variations of such name which are readily identifiable therewith.
>
> (b) An air carrier may do business in such other and different name or names as the Board may by

order permit, upon a finding that the use of such other name or names is not contrary to the public interest. Any such permission may be made conditional upon the abandonment of the use of the name in which its letter of registration is issued and outstanding, in air transportation service by the air carrier concerned, or otherwise be made subject to such reasonable terms and conditions as the Board may find necessary to protect the public interest."

On October 6, 1952, North American timely filed an application under the above regulation for authority to conduct its operations under the name North American Airlines, Inc., in lieu of Twentieth Century Air Lines, Inc. Upon [fol. 186] consideration of this application the Board determined to institute the above described investigation and by its order consolidated the above application, Docket No. 5774, with the investigation proceeding, Docket No. 5928, for hearing and decision.

American Airlines, Inc., (American) was permitted to intervene and participated in the proceeding. A hearing has been held and all parties given an opportunity to file briefs with the Examiner.

Issues.—The issue involved here is whether North American has been or is engaged in unfair or deceptive practices, or unfair methods of competition in air transportation, within the meaning of section 411 of the Act, by the use of the name North American Airlines, Inc., North American Airlines, or North American, and if any violation is established whether North American should be ordered to cease and desist therefrom; also whether the granting of the request in North American's application for leave to change its name to North American Airlines, Inc., would be contrary to the public interest.

Twentieth Century Airlines, Inc., was incorporated in North Carolina on May 4, 1946, and holds a letter of registration as a large irregular air carrier. On March 3, 1952, the above carrier amended its articles of incorporation so as to change its name to North American Airlines, Inc. Since on or about April 21, 1951, the above carrier

has engaged in the air transportation of persons between, among other points, New York, Chicago, and Los Angeles, under the trade name of North American Airlines.

American Airlines, Inc., (American) the intervenor in this proceeding, was incorporated in Delaware on April 11, 1934, succeeding American Airways, Inc., which was incorporated under the laws of Delaware on January 25, 1930. American has continuously engaged in air transportation of persons, property, and mail since the above dates and has operated between, among other places, New York, Chicago, and Los Angeles as a scheduled air carrier.

American registered on July 27, 1948, the name "American Airlines" under the Federal Trademark Act, 15 U.S.C. 1051 et seq., on the Principal Register (No. 514294 of [fol. 187] the United States Patent Office as a service mark used in connection with the furnishing of air transportation.

Since 1934 American has concentrated in its advertising the names "American" and "American Airlines" with the purpose of creating in the public mind an identity between the name American and its air transportation service. There were introduced in evidence samples of such advertising as "American Leading Airlane," "Better by Air," "Best by American," "American to Detroit the Most Frequent Service," "American to Washington $98 via DC-6 Airtourist Service," "American to New York 11 Nonstop Flagships," and "American's Convairs Are Coming."

The above type of advertising has appeared weekly on 251 billboards and in 142 newspapers throughout the country with a combined circulation of approximately 28,000,000. American has spent in excess of $2,250,000 for the above type of advertising since 1949.

American has also advertised extensively in magazines and during the period between 1948 and 1952 it spent approximately $3,800,000 for such advertising. It also advertises in the various cities served by American by means of display signs appearing at airports and in other public places. In 1940 American produced a sales movie entitled "The American Way," which has been shown to groups throughout the country, depicting its service and the com-

fort, speed and convenience of air travel. American is currently spending on newspaper and biliboard advertising approximately $600,000 annually.

An officer of American in testifying stated that in his opinion the extensive advertising of American service as being the leading airline in American air commerce had been accepted by the traveling public. He further stated that much of American's advertising is devoted to identifying American with a certain route structure and with a certain type of superior equipment.

The direct evidence of record consists of testimony of witnesses who, for the most part, are employed by American as ticket and reservation agents located at Los Angeles, Burbank, Chicago, and New York. There were also affidavits and written statements from ticket and reservation [fol. 188] agents received in evidence for the purpose of establishing whether the names "American" or "American Airlines" and "North American" or "North American Airlines" are confusing to the traveling public.

The above evidence generally involved numerous inquiries on the part of the public made to American employees concerning service, rates, routes, and schedules of North American under the mistaken impression that North American and American were one and the same airline.

An officer of American testified that he had received from employees under his supervision numerous inquiries indicating confusion between American Airlines and North American Airlines, and that his office had received numerous requests for collect telephone calls from people who were attempting to contact North American. It was established that American did not receive collect calls while North American did. The same witness stated that his office had received a telephone call from a representative of a trade union, complaining that an American sign was being painted by non-union painters, and upon investigation it was found that the sign was that of North American. There were instances of air passengers holding North American tickets attempting to check in for North American flights at American ticket counters—in fact, at the Burbank office this was a daily occurrence—and many of the passengers were still confused after an explana-

tion had been made that American and North American were two different airlines. There were instances where North American passengers attempted to claim their baggage at the American counter; also other instances where prospective passengers insisted they were entitled to a discount for transportation on American because they held a "Buyers League Scrip Book." Upon an investigation by the passengers making the inquiries, it was learned that it was North American instead of American which offered a discount.

There were other instances of persons meeting incoming North American passengers who made inquiries at the American ticket counter at Burbank to determine time of arrival. Other inquiries were made of American agents at [fol. 189] Los Angeles concerning an $80 fare from Los Angeles to New York, which the persons had heard advertised on television, and upon investigation it was found that it was North American they were referring to and not American. One witness testified that she had heard people state that they were under the impression that North American and American were the same or affiliated companies. Another witness for American testified that one person insisted that American flew from New York to Miami because she had heard a radio program to that effect, whereas the program in question was that of North American. There were instances where mail addressed to North American was delivered to American Airlines' office. Tradesmen have dunned American for bills owed by North American and hotels have requested American's advice as to billing for hotel charges incurred by North American crews. A witness for American stated that at its Burbank office the president of North American, who is on duty at the North American ticket counter at Lockheed air terminal, informed her that many persons would stop at his counter and request tickets to Dallas, Oklahoma City, or Tulsa, points which North American did not serve, and he would realize that the passengers were confused and that they were under the impression it was American's ticket counter. The president further stated to the witness that if the passengers were destined to New York or Chicago he would do everything he could to "steal" them.

There were many other instances similar to those referred to above that need not be repeated here. In general, they indicate that certain confusion exists on the part of the public in distinguishing the services of the two airlines in question.

The witnesses who appeared and testified on behalf of North American were ticket agents from Burbank and Washington, D.C. Their testimony was to the effect that they had not experienced any great degree of confusion on the part of the public involving the similarity of names between American and North American. The agent at Burbank stated it was a common occurrence at his counter for persons to inquire about the services of other carriers [fol. 190] such as United and particularly the services of North Star—in fact, the witness had noticed a certain amount of confusion existing on the part of the public between North American and North Star. Another witness for North American stated that his experience had been that the majority of customers made inquiries concerning destinations of the various carriers and were not particularly confused about the similarity of names of the carriers.

Discussion.—Section 411 of the Civil Aeronautics Act empowers the Board to determine whether any air carrier or ticket agent has been engaged or is engaging in unfair or deceptive practices, or unfair methods of competition in air transportation or the sale thereof, and if such is found to exist the Board is empowered to order discontinuance of such practices.

This case finds no precedent in the Board's decisions. Therefore, one must look for guidance to the decisions of the courts in their application of unfair trade practices as set forth under section 5 of the Federal Trade Commission Act, which is essentially the same as section 411 of the Civil Aeronautics Act. The Federal Trade Commission has been given the jurisdiction by statute over unfair competition in the common law sense of the term and also under the statutory language as defined "any unfair method of competition or unfair or deceptive *act* or practice in commerce." It is noted that the word "act" in the Federal

Trade Commission Act has been omitted in section 411 of the Civil Aeronautics Act.

The courts have said that the unfair trade practice law is for the protection of the public and not for the experts, but rather for "the vast multitude which includes the ignorant, the unthinking, and the credulous, who in making purchases do not stop to analyze but are governed by appearance and general impressions."[1]

The most common form of unfair competition is the imitation of a trade name, trade symbol, or device by a competitor. This may be a family name or the name of a corporation, labels, or deceptive packaging. In the early [fol. 191] history of trade relationship as indicated by the early legal cases, it included unfairness, dishonesty, taking unfair advantage of a rival, misrepresentation, and defrauding the public. It is also noted that running through all of these early cases were the ethical element standards.[2] One of the first court cases involving a trade-mark or trade name in American courts was *Taylor* v. *Carpenter*, 3 Story 458, in which an English concern complained that the name and other distinguishing devices on its spools of thread had been copied. Judge Story said that the case was one of unmitigated and designed infringement of the rights of the plaintiff for the purpose of defrauding the public and taking from plaintiff the fair earnings of their skill, labor and enterprise.

As heretofore stated, the name under which one does business may be a family name, a descriptive name, a fanciful name, or a geographical name. In this case the word "American" is used to designate a particular airline and as such is subject to exclusive use, although it is a geographical term. The courts have held that where the use of a name has been given significance or other meaning, such meaning is called a "secondary meaning" and the statute of unfair competition gives such name a property right.[3]

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[1] See *Florence Mfg. Co.* v. *J. C. Dowd & Co.*, 178 F. 73; *Stork Restaurant, Inc.* v. *Sahati et al.*, 166 F. 2d 348.

[2] 2 Mims' Unfair Competition, 4th ed., 1947.

[3] *Standard Paint Co.* v. *Rubberoid Roofing Co. et al.* 224 F. 695.

In the case of *Hudson Tire Co., Inc.* v. *Hudson Tire & Rubber Corporation et al.*, 276 F. 59, the court stated that the word "Hudson" as applied to tires had obtained a secondary meaning, referring to plaintiff's merchandise, and the fact that defendant had secured its corporate name from the State of New York did not authorize it to use the name "Hudson" in connection with such merchandise.

The courts have likewise held that in looking for a secondary meaning in a trade-mark, it is controlled by the fact that such a meaning has been acquired in the minds of the public rather than by the time it has taken for that fact to be established.[4]

Another case in point is that of *American Products Co.* [fol. 192] v. *American Products Co.*, 42 F. 2d 488. It is noted that one of the above companies was a Delaware corporation and the other one a Michigan corporation. The court said in part:

> "Assuming, for the purposes of this opinion, that the name 'American Products Company' should be regarded as a geographical name indicating products made in America, rather than a somewhat fanciful name not intended to denote the place of manufacture of such products, it is well settled that when a person has adopted, as the name of a business, a term originally geographical, and, by his efforts and expenditures, has developed a reputation and good will for such business and its products, so that such name has come to mean, in the minds of the general public, that particular business and its products, such name thereby acquires a secondary meaning, as indicating such business, and its owner is entitled to protection, in its use, by a court of equity."

In the case of *American Radio Stores, Inc.* v. *American Radio and Television Stores Corp.*, 150 A. 180, the court stated:

> "Those words (radio and stores) are purely descriptive and, when used by the complainant, have at-

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[4] *Barton et al.* v. *Rex-oil Co., Inc.*, 2 F. 2d 402.

tached to them no meaning of a secondary nature. But when the word "American" is used in conjunction with them, a distinguishing mark is introduced and the complainant is entitled to be protected in its use of that distinctive feature of its name."

In the case of *Delaware L. & W. R. Co.* v. *Lackawanna Motor Freight Lines*, 175 Atl. 905, the court held that the rights of the plaintiff were based on a secondary meaning acquired by its use in the transportation business, and its use by defendant was a device to deceive the public, although the court held that fraudulent intent need not necessarily be shown to invoke the aid of the court.

Another case in point is *American Thread Co.* v. *North* [fol. 193] *American Thread Co., Inc.*, 33 F. Supp. 616, where the court held that a newcomer operating under a similar name to a company already in the business was an act of unfair competition.

Another pertinent case is that of *Womble* v. *Parker*, 67 S.E. 2d 133, which involved a newcomer into a business wherein it attempted to advertise its products under a trade name similar to one already in use by its long-established competitor. The court said, in part:[5]

"While geographical names and words which are merely descriptive are not generally the subject of exclusive appropriation as trade-marks or trade names, such names and words when used so long and exclusively by a trader, manufacturer or producer that they are generally understood to designate his business or merchandise, may acquire a secondary signification or meaning indicative not only of the place of manufacture, but of the name of the manufacturer or producer, or of the character of the product, so that the name or title thus employed, including the geographical name and descriptive words, may be the subject of protec-

[5] Other cases in point are: *Phillips* v. *The Governor & Co. of Adventurers of England trading into Hudson Bay*, 79 F. 2d 971; *Lincoln Motor Co. et al.* v. *Lincoln Automobile Co.*, 44 F. 2d 812; *Finchley, Inc.* v. *Finchley Co., Inc.*, 40 F. 2d 736; *Western Auto Supply Co.* v. *Knox*, 93 F. 2d 850.

tion against unfair competition in trade, and authorize equity to enjoin a newcomer competitor from the appropriation and use of a trade name or trade-mark bearing such resemblances to those of the pioneer as to be likely to produce uncertainty and confusion, and to pass off the goods or business of one as those of another."

It is clear from the foregoing that a geographical term used in a business name may acquire a secondary meaning by actual use and upon which the owner may create goodwill in its business relationship with the public. Thus such a name becomes a valuable asset and a business advantage. [fol. 194] Therefore, in such instances the trade name becomes of a pecuniary value or a property right, and the courts have consistently held that such rights are entitled to the protection afforded by the courts.

There can be no dispute that American Airlines is the prior user of the name "American" as between it and North American, as American has used the above name since 1934 and its predecessor used the name prior to that time, whereas North American has used its name only since April 1951. American has consistently over the years promoted the use of the term "American" in its advertising and public relation work. Since 1948 American has spent over $6,000,000 for advertising in newspapers and magazines alone. Respondent argues on brief that in order for the term "American" to have acquired a secondary meaning as used by American Airlines it must have been exclusively used during the entire period in which the secondary meaning was being established, and the respondent further argues that American was not the exclusive user of the name "American" during this time.

The courts have held that to establish a cause of action for unfair competition it is not necessary to prove an exclusive right in plaintiff, i.e., that no one else has used the trade name in the past or that no one else is presently using it—rather the issue is what does the trade name as used by the owner mean to the public.[4] The public has

[4] *Thomas A. Edison, Inc.* v. *Shotkin*, 69 F. Supp. 176.

accepted the term "American" in air transportation as meaning American Airlines, Inc., and the fact that other airlines may or may not have used the word "American" as constituting a dominant part of their business name is of no significance in this proceeding.

Upon consideration of all the facts, and in view of the court decisions pertaining thereto, it is concluded that the name "American" and "American Airlines" used in connection with air transportation has acquired a secondary meaning as identifying American Airlines, Inc.

The Supreme Court has said that the aim in the use of trade-marks is to convey to the minds of the public, [fol. 195] or potential customers, the desirability of the services or commodity upon which the mark appears, and once this is attained the trade-mark becomes something of value and whatever tends to dissociate the trade name or mark in the public mind from the goodwill it identifies lessens its value and may destroy it altogether.[7] Since it has been concluded that the trade name "American" used by American Airlines has acquired a secondary meaning and that good-will has been created in the use of that name, it appears that such name is entitled to protection against its use by another person engaged in air transportation under a similar name which would have a tendency to confuse the public.

One of the important factors in a case of this kind arising under section 411 is whether the public is being deceived or confused and thus affecting the public interest in air transportation. The court stated in the case of *Anheuser-Bush, Inc.* v. *Budweiser Malt Products Corporation*, 287 F. 243, that the fundamental question in cases of trade-marks or unfair competition is whether the public is being misled and deceived so that the defendant is in effect taking advantage of the good-will and business reputation of another who has built it up through service or advertising.[8]

There are numerous examples in the record indicating confusion between American and North American Airlines

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[7] See *Mishawaka Rubber & Woolen Manufacturing Co.* v. *S.S. Kresge Co.*, 316 U.S. 203.

[8] See *United Drug Company* v. *Theodore Rectanus*, 248 U.S. 90.

on the part of the public. A number of witnesses who were ticket or reservation agents for American testified that they had received numerous inquiries from the public, indicating to them that confusion existed in the minds of the persons making the inquiries. Each agent for American in the Los Angeles area that testified stated he had received on an average of two or more such inquiries per week, and it is reasonable to assume that the other employees in that area received an equal number of inquiries, [fol. 196] which would make the total over 200 per week in the above area alone, not to mention the other points located on American and North American's systems.

Respondent has raised the point as to whether inquiries contained in sworn affidavits by American employees should be given any consideration since, for the most part, such evidence is hearsay and the respondent was not given an opportunity to cross-examine the person making the statement. The above evidence was not offered to prove the truth of such statements but rather the extent of confusion which may exist in the minds of members of the public. The mere fact that such inquiries were made is some indication that the persons making the inquiries must have been confused by the similarity of names.

The courts have consistently held that such evidence in cases involving infringement of trade-marks is admissible. In the case of *S.C. Johnson & Son, Inc.* v. *Johnson*, 28 F. Supp. 744, the court said:

> "There is considerable testimony which has been offered by the plaintiff purporting to show inquiries made by prospective purchasers. It is objected that such inquiries are hearsay. Without this type of proof, it would be difficult to show confusion. It seems to me it is competent as showing the state of mind of the prospective purchaser."[9]

As to whether the incidents included in the affidavits submitted in evidence were made by passengers or prospec-

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[9] See also *United States* v. *United Shoe Machinery Corporation*, 89 F. Supp. 349; *Federal Trade Commission* v. *Cement Institute et al.*, 333 U.S. 683.

tive passengers on either of the two airlines involved is of no significance since a part of the entire public are prospective passengers at one time or another. The courts have held that misdirected mail or complaints between companies with similar names was evidence of confusion.

The type of inquiries indicating confusion involved in this proceeding, which have heretofore been discussed, is [fol. 197] typical of those occurring to the average member of the public. Naturally, such inquiries were not made by persons who are frequent travelers by air or well informed on aviation matters but rather the uninformed, and it is the interest of the uninformed that the Board is required to protect from confusion because of similarity of names.

There is no evidence of record that North American adopted its name with intent to deceive the public or trade upon the good-will and business reputation of American, or that American has been injured by such operation. Such evidence is not required to support a finding of unfair competition. The courts have consistently held that in cases involving violation of trade-marks the right of injunction depends not on the fact that the purchaser has been deceived but rather on the fact that the public may be deceived if such acts of confusion are permitted to continue. The proof that confusion has already existed adds to the likelihood of continued deception.[10]

There is no question but what American has acquired during the past 20 years through its constant efforts a good-will in its use of the name "American" or "American Airlines," which has become a valuable asset to be protected. However, an action for infringement of American's trade name can find its remedy in the courts. Section 411 was not designed for the purpose of protecting the private

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[10] *J. C. Penney Co.* v. *H. D. Lee Mercantile Co.*, 120 F. 2d 949; *Ralston Purina Co.* v. *Saniwax Paper Co. et al.*, 26 F. 2d 941; *Wisconsin Electric Co.* v. *Dumore Co.*, 35 F. 2d 555; *Henry Muhs Co.* v. *Farm Craft Foods, Inc. et al.*, 37 F. Supp. 1013; *United Drug Co.* v. *Obear-Nester Glass Co.*, 111 F. 2d 997; *Pep Boys—Manny, Moe & Jack, Inc.* v. *Federal Trade Commission*, 122 F. 2d 158. *American Home Benefit Assn., Inc.* v. *United States Benefit Assn., Inc.*, 125 P. 2d 1010; *United Lace & Braid Mfg. Co.* v. *Barthels Mfg. Co.*, 221 F. 456.

rights of an individual carrier except to the extent of regulating competition between the various air carriers to assure fair competition and thereby maintain a sound economic transportation system; also, equally important, [fol. 198] the Board was given the responsibility of safeguarding the public interest against unfair and deceptive methods of competition.

North American is a newcomer in the field of air transportation as compared to American's operations; and it should have known that the similarity of names between North American and American would have the capacity to confuse the public as to the true identity of the carriers. There are numerous instances of record where the public has been confused and inconvenienced by this similarity of names. The courts have consistently upheld the public interest as being the foremost issue in cases involving violation of trade-marks and have granted injunctive relief without proof of fraud, deception, or injury to the owner of the trade-mark.

The task would not have been a difficult one for North American to have adopted another trade name which was different from the names of other air carriers in operation and thereby avoid the tendency on the part of the public to mistake one carrier for the other.

In view of the public confusion which has arisen and may increase in the future as air transportation becomes a more accepted mode of travel, and the services rendered by the carriers become more alike as well as the aircraft itself, it is in the public interest that the identity of the carrier be readily distinguishable by the public. Therefore, the continued use of the name "North American" by Twentieth Century is so similar to the trade name "American" as used by American Airlines, Inc., as to constitute an unfair and deceptive practice as well as an unfair method of competition, and it is so found.

In order further to protect the public interest against such unfair methods of competition it is found that a cease and desist order should be issued by the Board against the use of the name "North American" by Twentieth Century in the manner hereinafter set forth.

Findings.—In view of the foregoing and in consideration of all the facts of record, it is found:

1. That the use of the name "North American Airlines, Inc.," "North American Airlines," "North American," or [fol. 199] any combination of the word "American" by Twentieth Century Airlines, Inc., constitutes an unfair or deceptive practice and an unfair method of competition within the meaning of section 411 of the Act.

2. That the public interest requires that the application of Twentieth Century Airlines, Inc., Docket No. 5774, for authority to engage in air transportation under the name North American Airlines, Inc., be denied.

3. That a cease and desist order be issued against Twentieth Century Airlines, Inc., its successors, assignees, representatives, agents, officers, and employees, to cease and desist doing business in air transportation under the name North American Airlines, Inc., or any variation of the name "American."

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E-7870

BEFORE THE UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD

Served: Nov. 4, 1953

Docket Nos. 5774 and 5928

North American Airlines Section 411 Proceeding

North American Airlines, Inc. (Twentieth Century Airlines, Inc.) ordered to cease and desist from engaging in air transportation under the names "North American," "North American Airlines," "North American Airlines, Inc.," or any combination using the word "American."

Appearances:

Hardy K. Maclay and Walter D. Hansen for North American Airlines, Inc.

Howard C. Westwood, Ernest W. Jennes and Clifton J. Stratton, Jr., for American Airlines, Inc.
Robert M. Johnson, Enforcement Attorney.

[fol. 200] OPINION—Decided November 4, 1953

By the Board:

This proceeding involves an investigation instituted by the Board to determine whether North American Airlines, Inc., formerly Twentieth Century Airlines, Inc. (respondent) has been and is violating Section 411 of the Act by engaging in air transportation under the name North American Airlines, Inc., North American Airlines, or North American.[1] The order instituting the investigation consolidated into it an application by respondent, filed under section 291.28 of the Economic Regulations, for authority to conduct its operations under the name North American Airlines, Inc., rather than as Twentieth Century Airlines, Inc., the name in which respondent holds its letter of registration as a large irregular air carrier. American Airlines, Inc. (American) was granted leave to intervene.[2]

After due notice a public hearing was held before Examiner Walter W. Bryan who has issued his Initial Decision. In it he found (a) that respondent's use of the name North American Airlines, Inc., North American Airlines, North American, or any combination of the word American constitutes an unfair or deceptive practice and an unfair method of competition within the meaning of section 411 of the Act, (b) that the public interest requires denial of respondent's application to engage in air transportation under the name North American Airlines, Inc., and (c) that respondent, its successors, assignees, representatives, agents, officers and employees should be ordered to cease and desist from engaging in air transportation under the name North American Airlines, Inc., North American Airlines, North American, or any combination of the word American. Respondent has excepted to the

[1] Order No. E-7107, dated January 28, 1953.
[2] Order No. E-7174, dated February 19, 1953.

Initial Decision.[3] The Board has heard oral argument, and the case now stands submitted for decision.

[fol. 201] Upon consideration of the entire record, we agree with the Examiner's ultimate findings as set forth above. Those portions of his Initial Decision which we adopt as our own are attached hereto as an appendix. We shall discuss herein some of the contentions raised in respondent's exceptions, and in so doing we shall supplement the findings and conclusions contained in the appendix.

1. Respondent presents several exceptions attacking the sufficiency of the evidence of record to establish that respondent has caused substantial public confusion between itself and intervenor by using the names North American, North American Airlines, or North American Airlines, Inc. The Examiner found that such confusion exists by reason of the similarity between North American and the word American as used by intervenor. We concur in this finding. In addition, we find that substantial public confusion exists due to similarity between respondent's names and the name American Airlines. Evidence supporting these findings is partially summarized in the appendix. We have examined the evidence in the light of respondent's attacks upon both its weight and its admissibility, as discussed below, and have determined that the record amply supports our findings.

Respondent assails both the admissibility and the weight of evidence of confusion introduced in the form of written statements by certain American reservations and ticket office employees who were not called as witnesses. It is true that virtually all of the evidence of public confusion in the Chicago area is of this nature. But the finding of substantial confusion is required by the abundant testimony and written statements as to public confusion in the New York and Los Angeles areas personally observed by at

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[3] Respondent has filed a brief in support of its exceptions. American filed a statement in lieu of exceptions approving the Examiner's ultimate findings, with a brief to the Board in support of its position. Counsel for the Board's Office of Enforcement filed no exceptions but requested the Board to consider his brief to the Examiner.

least seven[4] witnesses who were extensively cross-examined [fol. 202] upon their testimony and statements. In finding substantial public confusion, we do not depend or rely upon the corroborative value of the evidence respondent thus assails. Indeed, all our findings and conclusions in this proceeding are based only upon evidence given by persons appearing as witnesses and available for cross-examination.

2. Respondent contends that the Examiner improperly relied upon evidence of confusion on the part of persons who were not shown to have been prospective buyers of air transportation at the time they evinced confusion. Such evidence related to attempts of merchants, hotels, and others to hold American Airlines answerable for the obligations or acts of respondent. Respondent views our inquiry as confined to the question of whether *shoppers for air travel* will be confused, and asserts that such confusion is not established by the evidence in question.

Even assuming that our concern is directed only to confusion of prospective passengers,[5] evidence of confusion of members of the public not so identified does not lack probative force. There is no reason to believe that those who as creditors confused respondent with intervenor are more prone to such confusion than prospective air travellers. The evidence here challenged by respondent corroborates the direct evidence of confusion on the part of the travelling public. Indeed, such creditors may be themselves prospective air travellers.

3. The bulk of the confusion shown in the record was on the part of persons reasonably identified as prospective or actual purchasers of air transportation. In attacking this evidence, respondent argues that the showing of confusion

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[4] Witnesses Newkirk, Perry, Rowley, Avery, Heide, Houck and Reynolds; also witness Burg.

[5] Obviously the public to whose interests we must look herein does not consist solely of individuals contemplating purchase of air transportation. For, example, the record shows that a person whose sole transportation interests at the time may lie in the journey of another can experience considerable inconvenience if under a misapprehension as to the carrier's identity and time and place of arrival.

due to similarity of names actually represented confusion which the witnesses had imputed to, rather than observed [fol. 203] in, the public. Respondent claims that the public behavior observed by these witnesses, properly interpreted, indicates either (a) no confusion on the part of the traveller or caller at all, (b) confusion involving some carrier other than respondent, or (c) confusion between respondent and intervenor not attributable to a similarity of names.

(a) The record contains few instances where it would be reasonable to conclude that the caller was not confused at all. Respondent would so describe persons who presumably were trying to telephone respondent but who in fact telephoned American possibly because of a wrong number. But absent a showing of a confusing similiarity of telephone numbers, receipt by American of telephone calls intended for North American is itself some evidence of a confusion due to similarity of names. Respondent also regards as not confused persons who apparently called American intentionally and who, according to respondent, did so merely because they regarded American as a good source of desired information. While there is no dispute that such calls are received by American, very few of the instances described by the witnesses were even arguably of this nature.[6] The evidence as a whole is convincing that in almost all instances offered to show confusion of the public, confusion was definitely or very probably present.

(b) In certain instances respondent does not deny that confusion may have been present, but argues that the caller or traveller whom the witness observed may have confused American with some air carrier other than North American. This argument is inapplicable to a major portion of the cases reported by the witnesses, because the conduct of the persons observed directly exhibited that North American was involved. The argument is unpersuasive in other

[6] This finding is made with full cognizance of certain evidence in the record showing that intervenor does receive general inquiries regarding air transportation where there is no confusion. Respondent improperly attempts to classify as inquiries of this character requests which we conclude involve confusion.

instances which were indirectly linked to North Ameri-
[fol. 204] can by references to North American flight numbers or advertising, including in one case the name of a radio entertainer sponsored by respondent. It is true that the link to respondent is imperfect where it consisted merely in references by the caller to special fares, particular destinations and distinctive features of service shared by carriers other than respondent. However, such cases are overshadowed by the evidence in which North American's role in the confusion is obvious.

(c) Respondent disputes the causal relationship between the similarity of names and the public confusion between the carriers using such names. Respondent cannot successfully challenge such a relationship on this record. That there is in fact a similarity between the names of respondent and intervenor is obvious, and where the evidence shows members of the public have confused respondent with intervenor, the implication is strong that such confusion flows from the similarity. The record will not permit us to draw a contrary inference. It has not been shown that comparable public confusion exists between intervenor and a carrier with a clearly dissimilar name, nor between respondent and a carrier with a clearly dissimilar name. Moreover, respondent is unable to point to any prevailing circumstance more likely than the similarity of the parties' names to account for the confusion between itself and intervenor. In one case, in which a letter addressed to American Airlines at the Lockheed Air Terminal in Burbank, California, was misdelivered to respondent's counter at the same terminal, respondent urges as the probable reason that the letter bearing the name of an American Airlines' employee, Miss Newkirk, beneath that of American Airlines, was misdelivered because respondent also had an employee named Newkirk. But this single instance affords respondent little aid in view of the evidence that there were other instances of letters both misdelivered and misaddressed as between American Airlines and North American. In these cases there was no evidence of similar personal names, and the conclusion that the similarity in the carriers' names was the causal factor can hardly be avoided.

4. Respondent contends that any instances which may [fol. 205] show a confusing similarity of names are too few to support a finding that such confusion is substantial or widespread. Respondent attacks a statement of the Examiner that it would be reasonable to assume on the basis of the evidence that American Airlines' personnel in the Los Angeles area receive 200 inquiries a week involving confusion on the part of the public. Respondent asserts that the evidence shows there were 8 instances a week of all-gedly confusing inquiries received by American Airlines in that area, including only one which respondent concedes may have in fact involved actual confusion due to similar names. Respondent thus contends that any confusion caused by the similarity of names is *de minimis*.

The fact is that such confusion has been shown by the evidence of record to be substantial. We need not determine whether to endorse the precise numerical estimate of the Examiner, but we must reject respondent's assertion that American Airlines' Los Angeles personnel received only 8 inquiries per week involving confusion. That figure refers to certain reports by American Airlines' personnel committed to writing under the instructions of their supervisor who testified that for some time past instances of confusion with respondent had been frequently brought to his attention by his subordinates. He also testified that the reports, including those made by other witnesses, were representative of such instances; that some reports which he did not consider completely illustrative of the problem were discarded; that the instructions did not call for reporting all instances as that would have been an impossibility, since the personnel in question were busy answering telephones and handling ma-y customers; and that his instructions called for reports of specific instances of unusual confusion or of a particular type of confusion which had happened repeatedly. The testimony of the American Airlines' ticket counter and telephone reservation personnel in Los Angeles and New York indicates the frequency of the confusion, or of one particular type of confusion, observed by individual witnesses as daily, practically daily on the night shift, three or four times a week, five or six in a five-day week, three or more a week, etc.

[fol. 206] Such indications are cumulative rather than duplicative as to number, and since the witnesses testified as to observations made in work performed by them as a part of a much larger force also so occupied, their observations can be taken to represent only a small part of such occurrences. This is confirmed by the testimony of American's supervisory witnesses from New York and Los Angeles, that public confusion involving respondent had come to their attention for some time as a problem which they encountered as supervisors.

5. Respondent has taken the position that, apart from the question of confusion, we cannot find a violation of section 411 herein because the word American as used by intervenor in air transportation did not acquire a secondary meaning referring to intervenor. We concur in the Examiner's finding and conclusion to the contrary. The evidence establishes that intervenor has long engaged in extensive advertising of its services in the name of "American". This practice has helped to instill in the minds of the public the notion that the word "American" when used in connection with domestic air transportation denotes American Airlines. This is dramatically illustrated by the fact that intervenor has been and is commonly referred to in news items in the public press as American. Where, as here, the record shows that the public press identifies "American" with the intervenor, and believes that the reading public makes the same identification, we find strong evidence of secondary meaning in the word "American."

In finding the secondary meaning, we have not overlooked the recent use of the word American in the name of the sectional local service carrier All American Airways, which has since changed its name to Allegheny Airlines. Nor have we overlooked the recent use of the word American in the name of the irregular carrier Air America, against whom an enforcement proceeding[7] involving its name is now pending before us. We have also considered the use of American in the name Pan American World Airways. There, the use occurred in the separate field of international

[7] Docket No. 6078.

[fol. 207] and overseas air transportation, from which intervenor is wholly excluded except to the extent of serving Mexico City. The fact that intervenor in its long history of extensive advertising may have, at times, emphasized the word "flagship" more than it emphasized its name does not destroy the continuity of its use of that name. There is no doubt that the word American, used in connection with domestic air transportation, is widely known as meaning the intervenor, and that the phrase American Airlines is also understood to refer to intervenor and not to denote the airlines of this nation or continent generally.

Even if respondent were correct in its arguments as to secondary meaning, we do not interpret section 411 so that respondent would prevail. We do not believe that in a case like the present, secondary meaning must be proven in order to protect the public against a clearly demonstrated and substantial public confusion. And this is certainly true where, as here, respondent has adopted a corporate name confusingly similar to the earlier adopted corporate name "American Airlines."

Respondent asserts that its use of its name has not been shown to have been fraudulent. Respondent did not commence and develop its operations as North American Airlines under circumstances of time, place, or nature and scale of operations in which confusion with intervenor would have seemed a remote prospect, but rather changed its name from Twentieth Century Airlines to North American Airlines at a time when American Airlines was universally known in air transportation circles and when operations between major cities served by American must have loomed large in respondent's contemplation of its future activities. Under the circumstances, it was obvious that the similarity of names might well cause confusion. Respondent must be presumed to have intended the reasonably foreseeable consequences of its own acts. We find that respondent's use of a confusingly similar name was not accidental or inadvertent, but rather was knowing.*

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* There is some evidence which, literally read, would support a finding that respondent used its name in order to secure for itself prospective passengers of intervenor. Moreover, there is other evi

[fol. 208] We are well aware that an order requiring respondent to cease and desist using the name under which it has been engaging in air transportation is a serious sanction which necessarily involves disturbance and loss to the carrier. We do not impose such a measure lightly. But the record is convincing that the public interest requires this action in order to prevent further public confusion between respondent and intervenor due to similarity of names. The maintenance of high standards in dealing with the public is expected of common carriers, and the public has a right to be free of the inconveniences which flow from confusion between carriers engaging in the transportation of persons by air. The speed of air travel may well be diminished when passengers check in for flights with the wrong carrier, or attempt to retrieve baggage from the wrong carrier, or attempt to purchase transportation from the wrong carrier, or direct their inquiries to the wrong carrier. Friends, relatives or business associates planning to meet passenge-s or seeking information on delayed arrivals are subject to annoyance or worse when confused as to the carrier involved. The proper handling of complaints from members of the public is impeded by confusion as to the carrier to whom the complaint should be presented. The transportation itself may differ from what the confused purchaser had anticipated (e.g., in terms of equipment), [fol. 209] even though the time and place of arrival may be about the same. It is obvious that public confusion between air carriers operating between the same cities is adverse to the public interest, and we have determined that the public should be protected from the effects of the confusion shown

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dence, introduced by respondent, clearly showing the regular use by respondent of misleading advertising concerning itself. This evidence shows that respondent's radio commercials regularly contain the words "North American—one of the nation's four great airlines". Clearly the word great, used to describe a commercial enterprise such as an airline, would normally be understood in its usual sense of big or large. By no objective criteria is the quoted claim, so interpreted, even close to being true of respondent. American Airlines, however, by most if not all tests of size is in fact one of the four largest domestic air carriers, a group commonly referred to as the "Big Four".

on the record by eliminating what we find to be the cause of such confusion.[9]

We have considered the remaining contentions of respondent in support of its exceptions and find them without merit.[10]

[fol. 210] Respondent also excepts to the Examiner's statement that the courts have consistently upheld the public in-

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[9] Respondent cites certain orders issued in Docket No. 4776 (Ralph Cox, Jr. d/b/a Ocean Air Tradeways) as a precedent under section 411 to the effect that actual injury to the intervenor must be shown before the Board can act under that section. We do not so read these orders (Nos. E-4990 of December 29, 1950, E-5897 of November 28, 1951, and E-6778 of September 10, 1952), for it appears that the complainant in that case, Overseas National Airlines, proceeded on a claim of purely private rights but failed to allege facts showing any injury from violation of such rights. Furthermore, substantially all of the business of the other carrier, United States Overseas Airlines, was under contracts with the military establishment, rather than with the general public. These orders by no means imply that where the public interest may be adversely affected by a confusing similarity of names the Board before acting under section 411 will require a showing of actual injury to the private complainant who asserts a right in such a name.

[10] Respondent excepts to the Examiner's statement that the issues herein include the question of whether granting respondent's application for leave to change its name to North American Airlines, Inc., would be contrary to the public interest. Respondent asserts that under the order instituting the investigation the sole issue was stated to be the violation of section 411 by the use of the name North American, etc., that this delineation of the issues was reaffirmed both in an order denying intervenor's motion to clarify and broaden the issues and in the prehearing conference report, and that the Examiner's addition of a new issue after hearing deprived respondent of notice. There is no doubt that respondent's application was consolidated herein by the order initiating the investigation under section 411 (No. E-7107 of January 28, 1953) and was referred to as such in the prehearing conference report. However, we agree with respondent that the only issue in this proceeding is whether there has been a violation of section 411. For, under the regulation regarding change of name under which respondent's application was filed, as interpreted by the order initiating the investigation mentioned above, a denial of the application may be ordered only if a violation of section 411 is shown. Thus the issues under respondent's application and the Board's order of investigation herein are identical.

terest as being the foremost issue in cases involving violation of trade-marks and have granted injunctive relief without proof of fraud, deception or injury to the owner of the trade-mark. We have not adopted the Examiner's statement and accordingly need not comment further on that subject.

Accordingly, in view of the foregoing and upon consideration of the entire record we find:

1. That American Airlines and North American Airlines are in competition in air transportation;

2. That American Airlines was incorporated under that name before North American adopted the trade name of, or changed its corporate name to, North American Airlines; that the term "American" had acquired a secondary meaning before North American adopted that trade name or so changed its corporate name, and such secondary meaning continues to exist;

3. That the substantial public confusion found herein is likely to continue;

4. That the use by respondent of the name "North American Airlines, Inc.", "North American Airlines", "North American", or any combination of the word "American" [fol. 211] constitutes an unfair or deceptive practice and an unfair method of competition within the meaning of Section 411 of the Act;

5. That the public interest requires that the application of respondent, Docket No. 5774, for authority to engage in air transportation under the name North American Airlines, Inc., be denied;

6. That respondent and its successors, assignees, representatives, agents, officers, and employees should be ordered to cease and desist from engaging in air transportation under the name "North American Airlines, Inc.", "North American Airlines", "North American", or any combination of the word "American".

An appropriate order will be entered.

Ryan, Chairman, Denny, Vice Chairman, Lee and Gurney, Members of the Board, concurred in the above opinion. Adams, Member, filed the attached dissenting opinion.

Adams, Member Dissenting:

I dissent from the action taken by the majority since I do not agree with their application to this case of the law of unfair competition nor with the particular sanction they have imposed upon North American Airlines, Inc. I feel that neither our Office of Enforcement nor the intervenor, American Airlines, Inc., has successfully borne the burden of proving the existence of unfair competition since in my view, although some public confusion has been demonstrated, I do not agree that it is substantial, or more than temporary.

As I read the leading cases on the subject of unfair competition I feel that the error made by both the examiner and the majority arises from their tendency, on the one hand, to ignore the basic common law of competition and that of secondary meaning; while on the other hand they over emphasize the gullibility of the average purchaser in this country and magnify the significance and degree of public confusion shown on the record of this case. With this as a basis, the majority concludes that the name "American" has acquired a secondary meaning in the public mind, denoting only American Airlines, Inc.; that sub-[fol. 212] stantial public confusion exists and is likely to continue; and that, therefore, American Airlines, Inc., must be protected from the use by respondent, North American Airlines, Inc., of the word "American" as any part of its business name.

Since American Airlines, Inc., carries approximately 5½ million passengers each year over its system, I am not impressed with the fact that witnesses in this case (principally those employed by American Airlines itself) have testified that some confusion has existed between the services offered by American, on the one hand, and North American on the other. On the contrary, I would be greatly surprised, (in view of the several million phone calls and other communications which American Airlines re-

ceives every year over and above those received from passengers which it actually carries) if there were not *some* demonstrable public confusion between American Airlines and the respondent in this case. As I read the law, however, a new "competitor" is not required to insure against any and all confusion which its entry into the field may cause to certain uninformed purchasers.

When considered in the light of the facts before us in this case, the following excerpts from court decisions bearing on the matter of public confusion and the extent of that confusion required to support injunctive relief are pertinent:

> "The issue in such a case as this is 'whether an appreciable number of prospective purchasers of the goods . . . are likely' to be confused. 'That a few particularly undiscerning prospective purchasers might be so misled is not enough.'"
>
> *Eastern Wine Corp.* v. *Winslow Warren Ltd., Inc,* 137 F. 2d. 955, 960 (1943).

In the *Life Savers Corp. Case*,[1] just as in the case before us, some confusion was actually shown. The Circuit Court, however, quoted the trial court and agreed that ". . . it is [fol. 213] just as probable that the confusion can be attributed to the size and shapes of the various packages as to the exact wording and coloring of the labels". In that same case, in view of the tremendous volume of sales the court said, "It would be extraordinary if some confusion could not be found irrespective of the details of the dress of the package".

Although both the examiner and the intervenor here have cited the *Florence Manufacturing Case*[2] and the language therein to the general effect that the ignorant, unthinking and credulous public must be protected by the law of unfair competition, other authoritative cases take a different view. The *same court* which decided the *Florence Case* had the following to say 33 years later on the matter of unduly protecting the interest of the businessman:

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[1] *Life Savers Corp.* v. *Curtiss Candy Co.*, 182 F2d 4, 8 (1950).

[2] *Florence Mfg. Co.* v. *J. C. Dowd & Co.*, 178 F. 73 (1910).

"The failure to keep constantly in mind the diver's policy considerations which, in this legal province, come in conflict with one another and the consequent occasional over-emphasis on but one of them—the protection of the interest of the businessman who has built a business around a name—has sometimes led to decisions unduly extending the confines of name-monopolies. For a time the courts were remarkably generous in fixing the boundaries of such monopolies. *Today the tendency is to be somewhat less generous. (Durable Toy & Novelty Corp.* v. *J. Chein & Co.* 133 F2d 853, 1943) *We approach the case at bar, then, having in mind the basic common law policy of encouraging competition and the fact that the protection of monopolies in names is but a secondary and limiting policy.*" (Emphasis added.)

Eastern Wine Corp. v. *Winslow-Warren Ltd., Inc.*, 137 F2d 955, 959 (1943).

In 1943 a District Court in Nebraska had this to say on the matter of the obligation of a new competitor toward the non-discriminating public:

[fol. 214] "Upon this branch of the case the law is settled that competition is not forbidden but rather unfairness in competition and that the essence of actionable unfairness in competition is the creation by one come newly into a competitive field of a situation that is reasonably calculated to result in the passing off of his goods as those of his competing predecessor in the market. Again, *the new competitor is not held to the obligation of an insurer against some confusion*, but is required only to use reasonable care to inform the public of the source of his product, to use every reasonable means to prevent confusion. *Pointedly, he is not obliged so to guard his competitive methods that even the negligent or inattentive purchaser will be protected from confusion. As the cases in some instances have put it, he is not required to make the market 'fool proof'.*" *Skinner Mfg. Co.* v. *General Foods Sales Co.*, 52 Fed. Supp. 432, 450 (194) (Emphasis added)

The thorough-going analysis of the law made by the District Court in this case was commented upon with ap-

proval by the Circuit Court on appeal[3] and certiorari was denied by the Supreme Court of the United States. Even more recently, in 1950, the Court of Appeals for the 7th Circuit made this pertinent observation:

> "A new competitor is not held to the obligations of an insurer against all possible confusion. *He is not obligated to protect the negligent and inattentive purchaser from confusion resulting from indifference* . . . In *Fruit Growers Co-op.*, 170 F2d 834 at page 837, this court said: '. . . Instead they are required only to mark or designate them in such manner that purchasers exercising ordinary care to discover whose products they are buying will know the truth and not become confused or mistaken . . .'." *Life Savers Corp.* v. *Curtiss Candy Co.*, 182 F2d 4, 8 (1950). (Emphasis added.)

[fol. 215] In light of the foregoing authorities and many others cited in Respondent's briefs and exceptions (and not mentioned either by the examiner or the majority), I conclude that the public confusion or the likelihood of its continuance established in this record is not such that this Board should enjoin Respondent from continued use of its corporate name on the grounds of unfair competition.

Aside from the foregoing difficulties which I have relative to the findings of public confusion in this case, I must also differ with the finding as to secondary meaning made by both the examiner and the majority. This legal doctrine has been clearly defined in several cases, but in no case do I find that it has been applied to protect the user of a geographical name such as "American", where that user was neither the first nor the exclusive user. As shown by this record, of course, American Airlines can claim to be neither the first nor the exclusive user.

I have carefully examined the thirteen cases upon which the examiner and the majority rely for the finding that the term "American" when applied to air transportation has taken on a secondary meaning so that a new airline must not be allowed to use the term as any part of its business

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[3] *Skinner Manufacturing Co.* v. *Kellogg Sales Co.*, 143 F2d 895 (1944) Cert. Denied, 323 U. S. 766.

name. If every one of the cases cited the plaintiff prevails under this theory of secondary meaning because *without exception the plaintiff was both the first and sole user of the name involved.*[4] Furthermore, in eleven of the thir- [fol. 216] teen cases the name sought to be used by the new competitor was either identical to that of the first and exclusive user or sounded identical thereto or differed therefrom only by the omission of one letter (viz., "Finchley" as the original name compared with "Finchly" used by the new competitor in the *Finchley Case*). Also in many of the cases cited by the examiner, the courts made specific findings that the second user of the name involved had adopted it with the willful and fraudulent intent to deceive the public (*Standard Paint Case, Barton Case, Delaware and Lackawanna Case,* and *Finchley Case*)—whereas in the case now before us the examiner made no such finding but, in fact, found that "There is no evidence of record that North American adopted its name with intent to deceive the public or trade upon the good will and business reputation of American."[5]

In other cases cited by the examiner in support of his finding of secondary meaning the courts found, as a matter

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[4] *Hudson Tire Co., Inc.* v. *Hudson Tire & Rubber Corporation et al.*, 276 Fed. 59 (1921).

Standard Paint Co. v. *Rubberoid Roofing Co., et al.*, 224 Fed. 695 (1915).

American Products Co. v. *American Products Co.*, 42 F2d 488 (1930).

American Radio Stores, Inc. v. *American Radio and Television Stores Corp.*, 150 A. 180 (1930).

Delaware L. & W. R. Co. v. *Lackawanna Motor Freight Lines*, 175 Atl. 905 (1934).

Barton et al. v. *Rex-oil Co., Inc.*, 2 F2d 402 (1924).

American Thread Co. v. *North American Thread Co., Inc.*, 33 Fed. Supp. 616 (1935).

Womble v. *Parker*, 67 S.E. 2d 133 (1951).

Phillips v. *The Governor & Co. of Adventurers of England trading into Hudson Bay*, 79 F2d 971 (1935).

Lincoln Motor Co., et al. v. *Lincoln Automobile Co.*, 44 F2d 812 (1930).

Finchley, Inc. v. *Finchly Co., Inc.*, 40 F2d 736 (1929).

Western Auto Supply Co. v. *Knox*, 93 F2d 850 (1937).

Thomas A. Edison, Inc. v. *Shetkin*, 69 Fed. Supp. 176 (1946).

[5] Examiner's Report, page 15.

of fact, truly substantial evidence not only of public deception, but also of actual injury to the trade or profits of the plaintiff. (*Barton Case, American Radio Stores Case* and the *Womble Case.*) On this point also the examiner in the case now before the Board has specifically found *no evidence* that American has been injured by North American's operation.

In light of the foregoing distinguishing features of the cases cited from the facts in the present record, I cannot agree that American Airlines has established a secondary [fol. 217] meaning in the term "American" when applied to air transportation such as to give that carrier an "exclusive" property right to the name or such as to require North American Airlines to be enjoined from further use of that term in its name.

In light of what I have said earlier concerning my differences with the majority on the extent of public confusion actually proven here, I must also dissent from their finding that the similarity of the two names, American Airlines, Inc., and North American Airlines, Inc., is so great as to require us in the public interest to enjoin North American from further use of its corporate name. Although it is not clear from the majority opinion itself whether the finding as to similarity in names is based on evidence of public confusion; or merely upon the comparison of the two names in the minds of the majority without reference to public confusion, I must dissent from their finding on whichever basis the finding of similarity is made.

Finally, even if I did not have the foregoing difficulty with the majority's findings of public confusion and secondary meaning, I would nevertheless have to take this occasion to question seriously the wisdom of the sanction imposed by the majority in this case which, in effect, absolutely prohibits North American Airlines from using the name "American" in any way in its business name. The effect of this prohibition, of course, is to nullify the efforts which that carrier has made and the substantial sums of money which it has expended in building up public good will under that name. I have difficulty in minimizing these serious consequences by simply finding, as the majority does, that North American must be prepared to accept the

reasonable consequences of its adoption of its name. Rather than insist on the absolute prohibition against continued use of its name, it would seem reasonable to me that American would be amply protected if North American were required to make more clear in its advertisements and contact with the public that it is not to be confused with American Airlines. This could be done, it seems to me, in any one of several ways, but regardless of the method used, North American would be enabled to capitalize upon [fol. 218] the good will which it has engendered since 1951 under its corporate name.[6]

/s/ Joseph P. Adams

APPENDIX

EXCERPTS FROM THE INITIAL DECISION OF WALTER W. BRYAN, EXAMINER IN THE NORTH AMERICAN AIRLINES, INC., CASE DOCKET NOS. 5774 AND 5928

This proceeding arises as the result of the Board's order serial No. E-7107, dated January 28, 1953, in which it is ordered that an investigation be instituted to determine whether North American Airlines, Inc., formerly Twentieth Century Air Lines, Inc., in engaging in air transportation under the name of North American Airlines, Inc., North American Airlines, or North American, has been and is engaging in activities and practices in violation of section 411 of the Act, and if any such violation is established, whether the Board should issue an order directing North American to cease and desist from such violations.

It is indicated in the record that on March 11, 1952, Twentieth Century Air Lines, Inc. (Twentieth Century) advised the Board that the corporate name of Twentieth Century had been changed to North American Airlines, Inc., (North

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[6] Support for this type of relief rather than that decided upon by the majority is found in several cases including *Singer Manufacturing Company* v. *Bent*, 163 U. S. 205, and *French Republic* v. *Saratoga Vichy Company*, 191 U. S. 427.

American) effective March 3, 1952, and it requested the Board to change its records accordingly and reissue its letter of registration in the new name.

On August 19, 1952, the Board adopted an amendment No. 7 to Part 291 of its Economic Regulations, effective September 23, 1952. The above amendment added a new section, 291.28, *Business Name of Air Carrier*, which provided:

> "On and after November 15, 1952, it shall be an express condition upon the operating authority granted [fol. 219] by this Part and the letters of registration issued hereunder that the air carrier concerned, in holding out to the public and in performing air transportation services shall do so only in a name the use of which is authorized under the provisions of this section.
>
> (a) Except as otherwise provided under paragraph (b) of this section, an air carrier may do business in the name in which its letter of registration is then issued and outstanding, including abbreviations, contractions, initial letters, or other minor variations of such name which are readily identifiable therewith.
>
> (b) An air carrier may do business in such other and different name or names as the Board may by order permit, upon a finding that the use of such other name or names is not contrary to the public interest. Any such permission may be made conditional upon the abandonment of the use of the name in which its letter of registration is issued and outstanding, in air transportation service by the air carrier concerned, or otherwise be made subject to such reasonable terms and conditions as the Board may find necessary to protect the public interest."

On October 6, 1952, North American timely filed an application under the above regulation for authority to conduct its operations under the name North American Airlines, Inc., in lieu of Twentieth Century Air Lines, Inc. Upon consideration of this application the Board determined to institute the above described investigation

and by its order consolidated the above application, Docket No. 5774, with the investigation proceeding, Docket No. 5928, for hearing and decision.

American Airlines, Inc., (American) was permitted to intervene and participated in the proceeding. A hearing has been held and all parties given an opportunity to file briefs with the Examiner.

Issues.—The issue involved here is whether North American has been or is engaged in unfair or deceptive practices, or unfair methods of competition in air transportation, within the meaning of section 411 of the Act, by the use [fol. 220] of the name North American Airlines, Inc., North American Airlines, or North American, and if any violation is established whether North American should be ordered to cease and desist therefrom; also whether the granting of the request in North American's application for leave to change its name to North American Airlines, Inc., would be contrary to the public interest.

Twentieth Century Airlines, Inc., was incorporated in North Carolina on May 4, 1946, and holds a letter of registration as a large irregular air carrier. On March 3, 1952, the above carrier amended its articles of incorporation so as to change its name to North American Airlines, Inc. Since on or about April 21, 1951, the above carrier has engaged in the air transportation of persons between, among other points, New York, Chicago, and Los Angeles, under the trade name of North American Airlines.

American Airlines, Inc., (American) the intervener in this proceeding, was incorporated in Delaware on April 11, 1934, suc-eeding American Airways, Inc., which was incorporated under the laws of Delaware on January 25, 1930. American has continuously engaged in air transportation of persons, property, and mail since the above dates and has operated between, among other places, New York, Chicago, and Los Angeles as a scheduled air carrier.

American registered on July 27, 1948, the name "American Airlines" under the Federal Trademark Act, 15 U.S.C. 1051 et seq., on the Principal Register (No. 514294) of the United States Patent Office as a service mark used in connection with the furnishing of air transportation. Since

1934 American has concentrated in its advertising [on] the names "American" and "American Airlines" with the purpose of creating in the public mind an identity between the name American and its air transportation service. There were introduced in evidence samples of such advertising as ["American's Leading Airline"], ["Better by Air—Best by American"], "American to Detroit the Most Frequent Service," "American to Washington $98 via DC-6 Airtourist Service," "American to New York 11 Nonstop Flagships," and "American's Convairs Are Coming."

[fol. 221] The above type of advertising has appeared weekly on 251 billboards and in 142 newspapers throughout the country with a combined circulation of approximately 28,000,000. American has spent in excess of $2,250,000 for the above type of advertising since 1949.

American has also advertised extensively in magazines and during the period between 1948 and 1952 it spent approximately $3,800,000 for such advertising. It also advertises in the various cities served by American by means of display signs appearing at airports and in other public places. In 1940 American produced a sales movie entitled "The American Way," which has been shown to groups throughout the country, depicting its service and the comfort, speed and convenience of air travel. American is currently spending on newspaper and billboard advertising approximately $600,000 annually.

An officer of American in testifying stated that in his opinion the extensive advertising of American service as being the leading airline in American air commerce had been accepted by the traveling public. He further stated that much of American's advertising is devoted to identifying American with a certain route structure and with a certain type of superior equipment.

The direct evidence of record consists of testimony of witnesses who, for the most part, are employed by American as ticket and reservation agents located at Los Angeles, Burbank, Chicago, and New York. There were also affidavits and written statements from ticket and reservation agents received in evidence for the purpose of establishing whether the names "American" or "American Airlines" and "North American" or "North American Airlines" are confusing to the traveling public.

The above evidence generally involved numerous inquiries on the part of the public made to American employees concerning service, rates, routes, and schedules of North American under the mistaken impression that North American and American were one and the same airline.

An officer of American testified that he had received from employees under his supervision numerous inquiries indi- [fol. 222] cating confusion between American Airlines and North American Airlines, and that * * * his office had received a telephone call from a representative of a trade union, complaining that an American sign was being painted by non-union painters, and upon investigation it was found that the sign was that of North American. There were instances of air passengers holding North American tickets attempting to check in for North American flights at American ticket counters—in fact, at the Burbank office this was a daily occurrence—and many of the passengers were still confused after an explanation had been made that American and North American were two different airlines. There were instances where North American passengers attempted to claim their baggage at the American counter; also other instances where prospective passengers insisted they were entitled to a discount for transportation on American because they held a "Buyers League Scrip Book." Upon an investigation by the passengers making the inquiries, it was learned that it was North American instead of American which offered a discount.

There were other instances of persons meeting incoming North American passengers who made inquiries at the American ticket counter at Burbank to determine time of arrival. Other inquiries were made of American agents at Los Angeles concerning an $80 fare from Los Angeles to New York, which the persons had heard advertised on television, and upon investigation it was found that it was North American they were referring to and not American. One witness testified that she had heard people state that they were under the impression that North American and American were the same or affiliated companies. Another witness for American testified that one person insisted that American flew from New York to Miami because she had heard a radio program to that effect, whereas the program in question was that of North American. There were in-

stances where mail addressed to North American was delivered to American Airlines' office. Tradesmen have dunned American for bills owed by North American and hotels have requested American's advice as to billing for [fol. 223] hotel charges incurred by North American crews. A witness for American stated that at its Burbank office the president of North American, who is on duty at the North American ticket counter at Lockheed air terminal, informed her that many persons would stop at his counter and request tickets to Dallas, Oklahoma City, or Tulsa, points which North American did not serve, and he would realize that the passengers were confused and that they were under the impression it was American's ticket counter. The president further stated to the witness that if the passengers were destined to New York or Chicago he would do everything he could to "steal" them.

There were many other instances similar to those referred to above that need not be repeated here. In general, they indicate that certain confusion exists on the part of the public in distinguishing the services of the two airlines in question.

The witnesses who appeared and testified on behalf of North American were ticket agents from Burbank and Washington, D. C. Their testimony was to the effect that they had not experienced any great degree of confusion on the part of the public involving the similarity of names between American and North American. The agent at Burbank stated it was a common occurrence at his counter for persons to inquire about the services of other carriers such as United and particularly the services of North Star —in fact, the witness had noticed a certain amount of confusion existing on the part of the public between North American and North Star. Another witness for North American stated that his experience had been that the majority of customers made inquiries concerning destinations of the various carriers and were not particularly confused about the similarity of names of the carriers.

Discussion.—Section 411 of the Civil Aeronautics Act empowers the Board to determine whether any air carrier or ticket agent has been engaged or is engaging in unfair or deceptive practices, or unfair methods of competition

in air transportation or the sale thereof, and if such is found to exist the Board is empowered to order discontinuance of such practices.

[fol. 224] * * * one must look for guidance to the decisions of the courts in their application of unfair trade practices as set forth under section 5 of the Federal Trade Commission Act, * * * The Federal Trade Commission has been given the jurisdiction by statute over unfair competition in the common law sense of the term and also under the statutory language as defined "any unfair method of competition or unfair or deceptive *act* or practice in commerce." It is noted that the word "act" in the Federal Trade Commmission Act has been omitted in section 411 of the Civil Aeronautics Act.

The courts have said that the unfair trade practice law is for the protection of the public and not for the experts, but rather for "the vast multitude which includes the ignorant, the unthinking, and the credulous, who in making purchases do not stop to analyze but are governed by appearance and general impressions."[1]

The most common form of unfair competition is the imitation of a trade name, trade symbol, or device by a competitor. This may be a family name or the name of a corporation, labels, or deceptive packaging. * * *

In the case of *Hudson Tire Co., Inc.* v. *Hudson Tire and Rubber Corporation et al.*, 276 F. 59, the court stated that the word "Hudson" as applied to tires had obtained a secondary meaning, referring to plaintiff's merchandise, and the fact that defendant had secured its corporate name from the State of New York did not authorize it to use the name "Hudson" in connection with such merchandise.

The courts have likewise held that in looking for a secondary meaning in a trade-mark, it is controlled by the fact that such a meaning has been acquired in the minds of the public rather than by the time it has taken for that fact to be established.[4]

Another case in point is that of *American Products Co.* v. *American Products Co.*, 42 F. 2d 488. It is noted that one

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[1] See *Florence Mfg. Co.* v. *J. C. Dowd & Co.*, 178 F. 73; *Stork Restaurant, Inc.* v. *Sahati et al.*, 166 F. 2d 348.

[4] *Barton et al.* v. *Rex-oil Co., Inc.*, 2 F. 2d 402.

[fol. 225] of the above companies was a Delaware corporation and the other one a Michigan corporation. The court said, in part:

> "Assuming, for the purposes of this opinion, that the name 'American Products Company' should be regarded as a geographical name indicating products made in America, rather than a somewhat fanciful name not intended to denote the place of manufacture of such products, it is well settled that when a person has adopted, as the name of a business, a term originally geographical, and, by his efforts and expenditures, has developed a reputation and good will for such business and its products, so that such name has come to mean, in the minds of the general public, that particular business and its products, such name thereby acquires a secondary meaning, as indicating such business, and its owner is entitled to protection, in its use, by a court of equity."

In the case of *American Radio Stores, Inc.* v. *American Radio and Television Stores Corp.*, 150 A 180, the court stated:

> "Those words (radio and stores) are purely descriptive and, when used by the complainant, have attached to them no meaning of a secondary nature. But when the word "American" is used in conjunction with them, a distinguishing mark is introduced and the complainant is entitled to be protected in its use of that distinctive feature of its name."

In the case of *Delaware L. & W. R. Co.* v. *Lackawanna Motor Freight Lines*, 175 Atl. 905, the court held that the rights of the plaintiff were based on a secondary meaning acquired by its use in the transportation business, and its use by defendant was a device to deceive the public, although the court held that fraudulent intent need not necessarily be shown to invoke the aid of the court.

Another case in point is *American Thread Co.* v. *North American Thread Co., Inc.*, 33 F. Supp. 616, where the court held that a newcomer operating under a similar [fol. 226] name to a company already in the business was an act of unfair competition.

Another pertinent case is that of *Womble* v. *Parker*, 67 S. E. 2d 133, which involved a newcomer into a business wherein it attempted to advertise its products under a trade name similar to one already in use by its long-established competitor. The court said, in part:[5]

> "While geographical names and words which are merely descriptive are not generally the subject of exclusive appropriation as trade-marks or trade names, such names and words when used so long and exclusively by a trader, manufacturer or producer that they are generally understood to designate his business or merchandise, may acquire a secondary signification or meaning indicative not only of the place of manufacture, but of the name of the manufacturer or producer, or of the character of the product, so that the name or title thus employed, including the geographical name and descriptive words, may be the subject of protection against unfair competition in trade, and authorize equity to enjoin a newcomer competitor from the appropriation and use of a trade name or trade-mark bearing such resemblances to those of the pioneer as to be likely to produce uncertainty and confusion, and to pass off the goods or business of one as those of another."

It is clear from the foregoing that a geographical term used in a business name may acquire a secondary meaning by actual use and upon which the owner may create goodwill in its business relationship with the public. Thus such a name becomes a valuable asset and a business advantage. Therefore, in such instances the trade name becomes of a pecuniary value or a property right, and the courts have [fol. 227] consistently held that such rights are entitled to the protection afforded by the courts.

There can be no dispute that American Airlines is the prior user of the name "American" as between it and

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[5] Other cases in point are: *Phillips* v. *The Governor & Co. of Adventures of England trading into Hudson Bay*, 79 F. 2d 971; *Lincoln Motor Co. et al.* v. *Lincoln Automobile Co.*, 44 F. 2d 812; *Finchley, Inc.* v. *Finchley Co., Inc.*, 40 F. 2d 736; *Western Auto Supply Co.* v. *Knox*, 93 F. 2d 850.

North American, as American has used the above name since 1934 and its predecessor used the name prior to that time, whereas North American has used its name only since April 1951. American has consistently over the years promoted the use of the term "American" in its advertising and public relation work. * * *

Upon consideration of all the facts, and in view of the court decisions pertaining thereto, it is concluded that the name "American" and "American Airlines" used in connection with air transportation has acquired a secondary meaning as identifying American Airlines, Inc.

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One of the important factors in a case of this kind arising under section 411 is whether the public is being deceived or confused and thus affecting the public interest in air transportation. The court stated in the case of *Anheuser-Bush, Inc.* v. *Budweiser Malt Products Corporation*, 287 F. 243, that the fundamental question in cases of trade-marks or unfair competition is whether the public is being misled and deceived so that the defendant is in effect taking advantage of the good-will and business reputation of another who has built it up through service or advertising.[8]

There are numerous examples in the record indicating confusion between American and North American Airlines on the part of the public. * * *

The type of inquiries indicating confusion involved in this proceeding, which have heretofore been discussed, is typical of those occurring to the average member of the public. Naturally, such inquiries were not made by persons who are frequent travelers by air or well informed on aviation matters but rather the uni-formed, and it is the in-[fol. 228] terest of the uni-formed that the Board is required to protect from confusion because of similarity of names.

* * * The courts have consistently held that in cases involving violation of trade-marks the right of injunction depends not on the fact that the purchaser has been deceived but rather on the fact that the public may be deceived if such acts of confusion are permitted to continue. The proof

[8] See *United Drug Company* v. *Theodore Rectanus*, 248 U. S. 90.

that confusion has already existed adds to the likelihood of continued deception.[10]

There is no question but what American has acquired during the past 20 years through its constant efforts a good-will in its use of the name "American" or "American Airlines," which has become a valuable asset to be protected. However, an action for infringement of America's trade name can find its remedy in the courts. Section 411 was not designed for the purpose of protecting the private rights of an individual carrier except to the extent of a regulating competition between the various air carriers to assure fair competition and thereby maintain a sound economic transportation system; also, equally important, the Board was given the responsibility of safeguarding the public interest against unfair and deceptive methods of competition.

North American is a newcomer in the field of air transportation as compared to American's operations, and it should have known that the similarity of names between North American and American would have the capacity to confuse the public as to the true identity of the carriers. There are numerous instances of record where the public [fol. 229] has been confused and inconvenienced by this similarity of names. • • •

The task would not have been a difficult one for North American to have adopted another trade name which was different from the names of other air carriers in operation and thereby avoid the tendency on the part of the public to mistake one carrier for the other.

In view of the public confusion which has arisen and may increase in the future as air transportation becomes a more accepted mode of travel, and the services rendered by the carriers become more alike as well as the aircraft itself, it

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[10] *J. C. Penney Co.* v. *H. D. Lee Mercantile Co.*, 120 F. 2d 949; *Ralston Purina Co.* v. *Saniwax Paper Co. et al.*, 26 F. 2d 941; *Wisconsin Electric Co.* v. *Dumore Co.*, 35 F. 2d 555; *Henry Muhs Co.* v. *Farm Craft Foods, Inc., et al.*, 37 F. Supp. 1913; *United Drug Co.* v. *Obear-Nester Glass Co.*, 111 F. 2d 997; *Pep Boys—Manny, Moe & Jack, Inc.* v. *Federal Trade Commission*, 122 F. 2d 158. *American Home Benefit Assn., Inc.* v. *United American Benefit Assn., Inc.*, 125 P. 2d 1010; *United Lace & Braid Mfg. Co.* v. *Barthels Mfg. Co.*, 221 F. 456.

is in the public interest that the identity of the carrier be readily distinguishable by the public. Therefore, the continued use of the name "North American" by Twentieth Century is so similar to the trade name "American" as used by American Airlines, Inc., as to constitute an unfair and deceptive practice as well as an unfair method of competition, and it is so found.

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Order No. E-7870

BEFORE THE CIVIL AERONAUTICS BOARD

Docket No. 5774

In the Matter of the Application of NORTH AMERICAN AIRLINES, INC., for Authority to Conduct its Operations under the Name of North American Airlines, Inc.

Docket No. 5928

In the Matter of an Investigation Pursuant to Section 411 of the Act of Certain Practices of NORTH AMERICAN AIRLINES, INC.

ORDER—Adopted November 4, 1953

A full public hearing having been held in the above-entitled proceedings and the Board, upon consideration of [fol. 230] the record, having issued its opinion containing its findings, conclusions and decision, which is attached hereto and made a part hereof;

It is ordered:

1. That the application of North American Airlines, Inc., for authority to engage in air transportation under the name North American Airlines, Inc., be and it hereby is denied;

2. That on and after the 90th day after the date of adoption of this order, North American Airlines, Inc., and its successors, assignees, representatives, agents, officers and employees be and hereby are ordered to cease and desist

from engaging in air transportation under the names North American Airlines, Inc., North American Airlines, North American, or any other name which includes the word American.

By the Civil Aeronautics Board:

/s/ M. C. Mulligan, Secretary.

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[fol. 295] BEFORE THE CIVIL AERONAUTICS BOARD

Economic Regulations, Amendment No. 7 to Part 291, Effective: September 23, 1952

REGULATIONS, Serial Number ER-178—
Adopted August 19, 1952

Business Name of Air Carrier

At the present time the Economic Regulations of the Board do not attempt to regulate the names under which air carriers do business. While a change in name by the holder of a certificate of public convenience and necessity has always been regarded by the Board as requiring an amendment to such certificate, there is no express requirement that the carrier do business under the exact name in which its economic operating authority is issued. The Board possesses the power, pursuant to section 411 of the Civil Aeronautics Act to require a carrier, after notice and hearing, to cease and desist from the use of a given name in cases where it finds that such use by the carrier concerned amounts to an unfair or deceptive practice or an unfair method of competition.

Until the relatively recent past there has been no need to make specific provision relating to the use of business names by air carriers since most carriers were in fact doing business under their official name without any compulsion to do so. However, there has been an increasing tendency, particularly among some of the large irregular carriers, to use names different from those in which operating authority is granted by the Board, in some cases the name being used having no identifiable relation to the name in which the authority is held. This has resulted in confusion in the

minds of the public, an increase in the administrative burden of the Board, and greater difficulty in achieving adequate enforcement of the Act and the regulations. The [fol. 296] Board has received an increasingly large number of complaints from the public indicating that the complainant did not know the true identity of the carrier against which the complaint was being made. In several instances, it has been necessary to undertake considerable correspondence and even field investigations in order to identify the carrier responsible. Aircraft accidents have been reported in the press as having involved air carriers bearing names not registered with or even known to the Board. In at least one instance, a trade name of a carrier whose operating authority had been revoked for willful violation of the Act was assumed by another carrier operated by the same management personnel as that of the carrier whose authority had been revoked.

Most important the foregoing practices, combined with equally unstable identities among ticket agencies, have made it difficult, and in many instances impossible, for members of the traveling public to know the identity with whom they are doing business. This has had serious consequences both with respect to the business relationships involved and with respect to liability for injury or death of a passenger or other members of the public, or the loss of or damage to property.

The possibility of such abuse exists for every type of air carrier, irrespective of how its operations are authorized; and, even though the number of abuses has been relatively small, the Board believes that it should not take action to enable it to deal effectively with such abuses and to prevent their occurrence. For this reason it is adopting this regulation together with companion amendments to Parts 202, 203, 292, 296, 297 and 298 of the Economic Regulations. In so doing it is the intention of the Board to permit the greatest managerial discretion possible in the use of business names consistent with the objective of the regulation. Accordingly, the regulation permits use of abbreviations, initials, nicknames and other variations of the name on file with the Board without obtaining permission therefor and places no restrictions on the use of slogans.

Moreover, in cases where the circumstances warrant such action, the Board may permit the use of two or more differ- [fol. 297] ent names by one carrier upon a showing that such multiple use will not be contrary to the public interest. Permission granted under this Part will not effect a formal change in name, but will merely constitute authority to use a different name.

It should also be noted that the restriction on the use of names does not become effective until 60 days after the effective date of the regulation. This 60-day period is designed to enable carriers which have developed goodwill in a name different from that in which their operating authority is held, to apply for and obtain permission to use such other name either exclusively or in conjunction with its certificated name. In cases where goodwill has been established in a name by use thereof, the Board will deny permission to continue such name only in cases where it believes that a violation of section 411 may be involved and such fact has been established after notice and opportunity for a hearing.

Interested persons have been afforded an opportunity to participate in the making of this rule and due consideration has been given to all relevant matter presented.

In consideration of the foregoing, the Civil Aeronautics Board hereby amends Part 291 of the Economic Regulations (14 CFR 291) effective September 23, 1952, by adding thereto a new section 291.28 to read as follows:

291.28 *Business Name of Air Carrier.* On and after November 15, 1952 it shall be an express condition upon the operating authority granted by this Part and the letters of registration issued hereunder that the air carrier concerned, in holding out to the public and in performing air transportation services shall do so only in a name the use of which is authorized under the provisions of this section.

(a) Except as otherwise provided under paragraph (b) of this section, an air carrier may do business in the name in which its letter of registration is then issued and outstanding, including abbreviations, contractions, initial letters, or other minor variations of such name which are readily identifiable therewith.

(b) An air carrier may do business in such other and dif-
[fol. 298] ferent name or names as the Board may by order permit, upon a finding that the use of such other name or names is not contrary to the public interest. Any such permission may be made conditional upon the abandonment of the use of the name in which its letter of registration is issued and outstanding, in air transportation service by the air carrier concerned, or otherwise be made subject to such reasonable terms and conditions as the Board may find necessary to protect the public interest.

(c) Slogans shall not be considered names for the purposes of this section, and their use is not restricted hereby.

(d) Neither the provisions of this section nor the grant of a permission hereunder shall be deemed to constitute a finding for purposes other than for this section, or to effect a waiver of, or exemption from, any provisions of the Civil Aeronautics Act, or any orders, rules, or regulations issued thereunder.

(Section 205(a), 52 Stat. 984, 49 U. S. C. 425. Interpret or apply sections 411, 416(a), 416(b); 66 Stat. 628, 52 Stat. 1004; 49 U. S. C. 491, 496.)

By the Civil Aeronautics Board:

/s/ M. C. Mulligan, Secretary

Part 291 last printed June 1, 1950.

[fol. 481] IN THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

[File endorsement omitted]

No. 12041

NORTH AMERICAN AIRLINES, INC., Petitioner

v.

CIVIL AERONAUTICS BOARD, Respondent

AMERICAN AIRLINES, INC., Intervenor.

On Remand from the Supreme Court of the United States

Before: PRETTYMAN, FAHY and DANAHER, Circuit Judges.

OPINION—Decided July 12, 1956

PER CURIAM:

This case is before us now on remand from the Supreme Court, *American Airlines* v. *North American Airlines*, 351 U.S. 79. In the light of the decision of the Supreme Court we hold that upon consideration of the record as a whole the finding of the Board that the use by petitioner of the name "North American Airlines, Inc.," "North American Airlines," or "North American," causes substantial public confusion which is likely to continue, is supported by the evidence. We accordingly affirm the order of the Board insofar as it denies the application of petitioner for authority to engage in air transportation under the name North Amer-[fol. 482] ican Airlines, Inc., and orders it to cease and desist from engaging in air transportation under the names North American Airlines, Inc., North American Airlines, or North American. But the evidence does not support the finding of the Board that the term "American" had acquired a secondary meaning before petitioner incorporated that term in its name or changed its corporate name, or the finding that such secondary meaning continues to exist. Accordingly, we set aside the order of

the Board insofar as it orders petitioner to cease and desist engaging in air transportation under any other name which includes the word "American."

In view of the foregoing and because of the representations made to us by motion of intervenor, American Airlines, Inc., that during the pendency of the remand petitioner has abandoned the use of the name North American Airlines, Inc., and is now using the name "Trans American Airlines," the case will be remanded to the Board for such further proceedings as it may be advised, and as are consistent with this opinion.

It is so ordered.

[fol. 483] IN UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 12,041

NORTH AMERICAN AIRLINES, INC., Petitioner,

v.

CIVIL AERONAUTICS BOARD, Respondent,

AMERICAN AIRLINES, INC., Intervenor.

Before: PRETTYMAN, FAHY and DANAHER, Circuit Judges.

ORDER PURSUANT TO REMAND BY THE SUPREME COURT—July 12, 1956

This case came on for consideration on the record from the Civil Aeronautics Board pursuant to the judgment and opinion of the Supreme Court of the United States in this case.

On Consideration Whereof, it is ordered by the Court that the judgment and decree of this Court entered herein June 23, 1955, be, and it is hereby, vacated and set aside, and that the certified copy thereof which issued to the Civil Aeronautics Board on July 12, 1955, be, and it is hereby, recalled; and

It is further Ordered and Adjudged by the Court that the order of the Civil Aeronautics Board on review in this case in so far as it denies the application of petitioner for authority to engage in air transportation under the name North American Airlines, Inc., and orders it to cease and desist from engaging in air transportation under the names North American Airlines, Inc North American Airlines, or North American be, and the same is hereby, affirmed; and that said order of the Civil Aeronautics Board in so far as it orders petitioner to cease and desist engaging in air transportation under any other name which includes the word "American" be, and the same is hereby, set aside, and that this case be, and the same is hereby, remanded to the Civil Aeronautics Board for such further proceedings as it may be advised, and as are consistent with the opinion of this Court, this day filed herein.

PER CURIAM.

[fol. 532] IN UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

[Title omitted]

[File endorsement omitted]

Before: PRETTYMAN, FAHY and DANAHER, Circuit Judges, in Chambers.

ORDER DENYING PETITION FOR REHEARING—
September 18, 1956

Upon consideration of the petition for rehearing and modification of the opinion filed by respondent; it is

Ordered by the Court that the aforesaid petition be, and it is hereby, denied.

PER CURIAM.

[fol. 535] Clerk's Certificate to foregoing transcript omitted in printing.

[fol. 536] IN SUPREME COURT OF THE UNITED STATES

No. 635, October Term, 1956

AMERICAN AIRLINES, INC., Petitioner,

v.

NORTH AMERICAN AIRLINES, INC., and CIVIL AERONAUTICS BOARD

ORDER ALLOWING CERTIORARI—January 28, 1957

The petition herein for a writ of certiorari to the United States Court of Appeals for the District of Columbia Circuit is granted, and the case is transferred to the summary calendar.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

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JOHN T. FEY, Clerk

No. ~~655~~

IN THE

Supreme Court of the United States

OCTOBER TERM, 1956

AMERICAN AIRLINES, INC., *Petitioner*,

v.

NORTH AMERICAN AIRLINES, INC., *Respondent*,

and the

CIVIL AERONAUTICS BOARD

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

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December 17, 1956

INDEX

	Page
Opinion Below	2
Jurisdiction	2
Questions Presented	3
Statutes Involved	4
Statement	6
Reasons for Granting the Writ	13
1. The Lower Court's Review of the Scope of the Board's Remedial Order, *Sua Sponte* and Without Objection Thereto Having Been Made Before the Board, Conflicts With Controlling Decisions of This Court, and Seriously Confuses a Most Important Matter of Practice in Administrative Law	13
2. Contrary to Decisions of This Court and of Other Circuits, the Lower Court Has Improperly Interfered With the Exercise of Administrative Discretion in the Choice of Remedy to Prevent Recurrence of Law Violation and Has Done So by Equating the Public's Right of Protection From Statutory Unfair Practices With a Private Person's Right to Protection From Private Law Unfair Competition	20
Conclusion	30
Appendix:	
Opinion of Court of Appeals, July 12, 1956	1a
Opinions, Findings and Order of Civil Aeronautics Board	2a
Exception 5 of North American to Examiner's Initial Decision	35a

CITATIONS

Cases:

American Airlines v. *North American Airlines*, 351 U.S. 79 (1956) 2, 6, 7, 10, 24, 27

Del Monte Special Food Co. v. *California Packing Corp.*, 34 F. 2d 774 (9th Cir. 1929) 24

Federal Power Commission v. *Colorado Interstate Gas Co.*, 348 U.S. 492 (1955) 14, 15

Federal Trade Commission v. *Real Products Corp.*, 90 F. 2d 617 (2d Cir. 1937) 25

Federal Trade Commission v. *Ruberoid Co.*, 343 U.S. 470 (1952) 22

Page

Gatter v. *Federal Trade Commission*, 186 F. 2d 810 (7th Cir. 1951), *cert. denied*, 342 U.S. 818 (1951) 24, 26
Gold Tone Studios, Inc. v. *Federal Trade Commission*, 183 F. 2d 257 (2d Cir. 1950) 25
Hershey Chocolate Corp. v. *Federal Trade Commission*, 121 F. 2d 968 (3rd Cir. 1941) 23
Jacob Siegel Co. v. *Federal Trade Commission*, 327 U.S. 608 (1946) 16, 22, 27
Juvenile Shoe Co. v. *Federal Trade Commission*, 289 Fed. 57 (9th Cir. 1923), *cert. denied*, 263 U.S. 705 (1923) 25, 26
Marshall Field & Co. v. *National Labor Relations Board*, 318 U.S. 253 (1943) 18
May Stores Co. v. *National Labor Relations Board*, 326 U.S. 374 (1945) 18
National Labor Relations Board v. *Cheney Lumber Co.*, 327 U.S. 385 (1946) 16
National Labor Relations Board v. *Seven-Up Co.*, 344 U.S. 344 (1953) 16, 18, 22
National Labor Relations Board v. *Winter*, 154 F. 2d 719 (10th Cir. 1946) 16
North American Airlines v. *Civil Aeronautics Board*, 228 F. 2d 432 (D.C. Cir. 1955) 2, 9, 23
North American Aviation, Inc. v. *North American Aircoach Systems, Inc.*, (S.D. Calif., Cent. Div., 1955) Case No. 13,412-PH [unreported], *aff'd*, *North American Aircoach Systems, Inc.* v. *North American Aviation, Inc.*, 231 F. 2d 205 (9th Cir. 1955), *cert. denied*, 351 U.S. 920 (1956) 10
P. Lorillard Co. v. *Federal Trade Commission*, 186 F. 2d 52 (4th Cir. 1950) 22
Pep Boys—Manny, Moe and Jack, Inc. v. *Federal Trade Commission*, 122 F. 2d 158 (3rd Cir. 1941) 26
Tillman & Bendel, Inc. v. *California Packing Corp.*, 63 F. 2d 498 (9th Cir. 1933) 23
Unemployment Compensation Commission of Alaska v. *Aragon*, 329 U.S. 143 (1946) 16
United States v. *Capital Transit Co.*, 338 U.S. 286 (1949) 16
United States v. *Tucker Truck Lines, Inc.*, 344 U.S. 33 (1952) 15
Western Air Lines v. *Civil Aeronautics Board*, 196 F. 2d 933 (9th Cir. 1952), *cert. denied*, 344 U.S. 875 (1952) 16, 18

Statutes:

Administrative Procedure Act, Sec. 10(e), 5 U.S.C. § 1008(e) 5, 15

Civil Aeronautics Act,
Sec. 411, 49 U.S.C. § 491 ..... 5, 6, 7, 8, 9, 12, 19, 21, 24, 29
Sec. 1006(e), 49 U.S.C. § 646(e) 4, 9, 13, 14, 16, 20
Fair Labor Standards Act, Sec. 10(a), 29 U.S.C. § 210 5

Page

Federal Alcohol Administration Act, Sec. 4(h), 27 U.S.C. § 204(h) 5
Federal Trade Commission Act, Sec. 5, 15 U.S.C. § 45 .....6, 27
Federal Power Act, Sec. 313(b), 16 U.S.C. § 825(1) 5
National Labor Relations Act, Sec. 10(e), 29 U.S.C. § 160(e).. 5
Natural Gas Act, Sec. 19(b), 15 U.S.C. § 717(r) 5, 14, 15
Packers and Stockyards Act, Sec. 202, 7 U.S.C. § 192(a) 6
Public Utility Holding Company Act, Sec. 24(a), 15 U.S.C. § 79(x) 5
Securities Act of 1933, Sec. 9(a), 15 U.S.C. § 77(i) 5
Securities Exchange Act of 1934, Sec. 25(a), 15 U.S.C. § 78(y) 5
Tariff Act, Sec. 337, 19 U.S.C. § 1337 6
Webb Export Act, Sec. 4, 15 U.S.C. § 64 6

Legislative Materials:

Sen. Doc. No. 248, 79th Cong., 2d Sess., 289 (1946) 5

Administrative Regulations:

14 C.F.R. § 291.28 (1953) 10
14 C.F.R. § 302.30 (1953) 18
14 C.F.R. § 302.37 (1953) 8

Administrative Orders:

Civil Aeronautics Board

No. E-10380, June 15, 1956 28
No. E-8470, June 24, 1954 28
No. E-9388, July 14, 1955 28
No. E-9676, October 20, 1955 28
No. E-10738, November 2, 1956 28
No. E-9744, November 15, 1955 28
No. E-9884, December 29, 1955 28
Economic Regulations Draft Releases No. 80 A, May 2, 1956 28

Federal Trade Commission

5 F.T.C. 105 (1922) 25
44 F.T.C. 80 (1947) 24
45 F.T.C. 206 (1948) 25
18 Fed. Reg. 4592 (1953) 25
18 Fed. Reg. 7189 (1953) 25
19 Fed. Reg. 5373 (1954) 25

IN THE

Supreme Court of the United States

OCTOBER TERM, 1956

No.

AMERICAN AIRLINES, INC., *Petitioner,*

v.

NORTH AMERICAN AIRLINES, INC., *Respondent,*

and the

CIVIL AERONAUTICS BOARD

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

Petitioner prays that a writ of certiorari issue to review the judgment herein of the United States Court of Appeals for the District of Columbia Circuit insofar as it reversed in part an order of the Civil Aeronautics Board.

OPINION BELOW

The opinion of the Court of Appeals is printed at pp. 1a-2a of the Appendix hereto (R. 481-482).[1] It has not yet been reported.

This opinion was rendered after this Court, at its last term, on the petition of this same petitioner, had reversed and remanded a previous judgment of the Court of Appeals in this proceeding. *American Airlines* v. *North American Airlines*, 351 U.S. 79 (1956). The earlier history of the proceeding is summarized in this Court's opinion. 351 U.S. at 80-81. The prior opinion of the Court of Appeals is reported as *North American Airlines* v. *Civil Aeronautics Board*, 228 F.2d 432 (1955).

The opinion, findings and order of the Civil Aeronautics Board, here involved, together with those findings of its Examiner which the Board specifically adopted are printed at pp. 2a-35a of the Appendix hereto (R. 199-230).

JURISDICTION

The judgment of the Court of Appeals was entered on July 12, 1956 (R. 483). Petitioner and the Civil

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[1] For the Court's convenience, the petitioner has moved the lower court to send the transcript of the case to this Court. In an Appendix to this petition there are printed certain portions of that transcript which would seem to be the only portions which this Court need examine. In addition, however, there will be some reference herein to certain other documents in the transcript, not so much to invite the Court's attention to what is included therein as to point out what is *not* included. In the case of that portion of the transcript consisting of the proceedings before the Civil Aeronautics Board, reference thereto will be: "Tr. . . . ." In the case of that portion (including the Joint Appendix) consisting of the proceedings before the lower court the reference will be: "R. . . . .".

Aeronautics Board filed timely petitions for rehearing on July 27, 1956 (R. 484, 509). The Court of Appeals denied these petitions without further opinion on September 18, 1956 (R. 531, 532). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

QUESTIONS PRESENTED

Section 411 of the Civil Aeronautics Act empowers the Civil Aeronautics Board, in the interest of the public, to prohibit the use of unfair practices in air transportation. The Board, acting under that section, found that the respondent air carrier's use of a recently adopted trade name, North American Airlines, caused substantial confusion, on the part of the traveling public, between it and the petitioner, which has been operating under a similar name, American Airlines, for nearly a quarter-century. To eliminate the cause of that public confusion the Board ordered the respondent to cease using in its name the word American, which is the dominant and distinctive word in the petitioner's long standing name. The Court of Appeals originally held that the Board had no jurisdiction to deal with such a case of trade name confusion. This Court ruled otherwise, reversed the Court of Appeals and remanded the case to permit review of the evidentiary support for the findings of confusion. On remand the Court of Appeals held the findings of confusion to be supported by the evidence but, *sua sponte,* reviewed the scope of the Board's remedial order, held that the evidence did not show that the dominant word in question "had acquired a secondary meaning," and therefore set aside the Board's order insofar as it forbade use of that word in any name other than the particular one, North American, which the respondent had been using, and

remanded the case to the Board for further proceedings. In the meantime, the respondent had changed its name from North American Airlines to Trans American Airlines. Under the ruling of the Court of Appeals this one-syllable change leaves the Board's order operative on the empty air.

1. The first question presented is whether the Court of Appeals, going beyond the purpose of this Court's remand, can review the scope of a remedial order where the respondent had made no objection thereto either before the Board or even before the Court of Appeals, thus defeating a limitation in the applicable statute which confines the reviewing court to the consideration of objections urged before the Board.

2. The second question presented is whether the Board's administrative discretion to frame a remedial order for the protection of the public is so limited that it cannot reach all variations of a confusing name unless a competitor has a property interest in the name in question, springing from a showing of secondary meaning, thus injecting into the law governing an agency's power, in the interest of the public, to remedy statutory unfair practices common law doctrines governing the rights of parties in private unfair competition cases.

STATUTES INVOLVED

1. Section 1006(e) of the Civil Aeronautics Act, 49 U.S.C. 646(e), provides in pertinent part:

> "No objection to an order of the [Civil Aeronautics] Board shall be considered by the [reviewing] court unless such objection shall have been urged before the Board or, if it was not so urged, unless there were reasonable grounds for failure to do so."

Interpretation of this provision is of especially broad importance in federal administrative law because of similiar provisions appearing in numerous other statutes, such as Section 9(a) of the Securities Act of 1933, 15 U.S.C. § 77(i); Section 25(a) of the Securities Exchange Act of 1934, 15 U.S.C. § 78(y); Section 24(a) of the Public Utility Holding Company Act, 15 U.S.C. § 79(x); Section 10(a) of the Fair Labor Standards Act, 29 U.S.C. § 210; Section 10(e) of the National Labor Relations Act, 29 U.S.C. § 160(e); Section 19(b) of the Natural Gas Act, 15 U.S.C. § 717(r); Section 313(b) of the Federal Power Act, 16 U.S.C. § 825(l); Section 4(h) of the Federal Alcohol Administration Act, 27 U.S.C. § 204(h); and see *Sen. Doc.* No. 248, 79th Cong., 2d Sess. 289, n. 21 (1946), explaining Section 10(e) of the Administrative Procedure Act, 5 U.S.C. § 1008(e).

2. Section 411 of the Civil Aeronautics Act, 49 U.S.C. § 491, provides:

> "The [Civil Aeronautics] Board may, upon its own initiative or upon complaint by any air carrier, foreign air carrier, or ticket agent, if it considers that such action by it would be in the interest of the public, investigate and determine whether any air carrier, foreign air carrier, or ticket agent has been or is engaged in unfair or deceptive practices or unfair methods of competition in air transportation or the sale thereof. If the Board shall find, after notice and hearing, that such air carrier, foreign air carrier, or ticket agent is engaged in such unfair or deceptive practices or unfair methods of competition, it shall order such air carrier, foreign air carrier, or ticket agent to cease and desist from such practices or methods of competition."

Interpretation of this provision is also important beyond its impact upon the air transportation industry, for the provision is modeled upon the very similar Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45. See *American Airlines* v. *North American Airlines*, 351 U.S. 79, 82 (1956). See also Section 337 of the Tariff Act, 19 U.S.C. § 1337; Section 202 of the Packers and Stockyards Act, 7 U.S.C. § 192(a); Section 4 of the Webb Export Act, 15 U.S.C. § 64.

STATEMENT

As this Court will recall, from its previous review of this case, the respondent and the petitioner compete as common carriers over the principal air route in the country—New York-Chicago-Los Angeles.

The petitioner's predecessor began business in 1930 as American Airways and the petitioner itself began business in 1934 as American Airlines, under which name it has operated and advertised its service ever since. As indicated by respondent's own counsel, the petitioner is "the top airline, the best known airline, in the United States." (R. 83).

Originally the respondent was named and did business as Twentieth Century Airlines. During the course of the year 1951 it began using the name North American Airlines for the first time. In March, 1952, it advised the Civil Aeronautics Board of this name change. 351 U.S. at 80. Thereafter, the Board instituted this proceeding under Section 411 of the Civil Aeronautics Act, based on the charge that the respondent's use of the North American name caused substantial public confusion as to the identity of the respondent and the petitioner because of the similarity of the two names. 351 U.S. at 80-81.

After a full evidentiary hearing before an Examiner, which this Court accurately described as "extensive", 351 U.S. at 81, and in which the petitioner participated as a party, briefs were filed with the Examiner by counsel for the Board's enforcement staff, by the petitioner and by the respondent. Each briefed the questions of fact as to the nature and extent of confusion and the legal question as to whether a Section 411 case had been made out. Counsel for the Board's staff and the petitioner each requested that a cease and desist order be entered prohibiting the respondent from using either the name North American or any other name which included the word American (Tr. 720, 757). The respondent's brief, on the other hand, did not discuss the question of the scope of the order to be entered if a Section 411 case were made out (Tr. 765-797).

The Examiner issued an initial decision, making elaborate findings as to the existence and extent of public confusion and dealing at length with the evidence and the legal issues on the merits. He concluded that an order should be entered requiring the respondent to cease and desist using the North American name "or any variation of the name 'American.'" (Tr. 816).

The respondent filed detailed exceptions, running to forty-five pages (Tr. 846-890). They all dealt, however, with the merits and did not advert to the question of the scope of the order to be entered if a Section 411 violation were established.

The petitioner and the respondent filed new briefs to the Board itself. The petitioner asked that the Board enter an order of the scope recommended by

the Examiner (Tr. 960), and, by relying on his brief to the Examiner, counsel for the Board's staff made the same request (Tr. 897). The respondent's brief, however, did not deal with the question of the scope of the order to be entered if it lost on the merits (Tr. 899-915).

In his oral argument to the Board counsel for the respondent did not even mention the matter of the recommended scope of the order (Tr. 997-1028). That argument, like the respondent's brief, dealt only with the question whether a Section 411 case had been made out.

In November, 1953 — three years ago — the Board rendered an opinion sustaining the Examiner, adopting many of his findings and making additional findings of its own. It concluded:

> "It is obvious that public confusion between air carriers operating between the same cities is adverse to the public interest, and we have determined that the public should be protected from the effects of the confusion shown on the record *by eliminating what we find to be the cause of such confusion.*" Appendix, p. 12a, *infra.* (Emphasis added.)

Thereupon it entered an order substantially as recommended by the Examiner, requiring that the respondent cease and desist from engaging in air transportation under the name North American "or any other name which includes the word American." Appendix, p. 14a, *infra.*

The respondent filed with the Board no petition for reconsideration or rehearing although the Board's rules permit such a petition. 14 C.F.R. § 302.37 (1953).

It appealed the case to the lower court under Section 1006 of the Civil Aeronautics Act and was granted a stay by that court pending appeal. A prehearing conference was held under Rule 38(k) of the rules of the lower court and a stipulation as to the issues was entered into by the parties and approved by formal order of that court (R. 306-311). The issues thus specified were directed solely to the merits and not to the scope of the remedial order.

In briefing the case to the lower court, the respondent confined its argument to the merits and did not question the scope of the order (R. 313-363). The brief of the petitioner pointed out specifically that the respondent had raised no question as to the scope of the order (R. 374). The reply brief of the respondent took no exception to this statement (R. 441-454). While there is available no transcript of the oral argument to the lower court, in fact no question was raised at that argument as to the scope of the order.

The lower court reversed the Board's order on the ground that a case involving name confusion was beyond the jurisdiction of the Board under Section 411 of the Civil Aeronautics Act absent a showing of deliberate deception or fraud. 228 F.2d 432, 437, 442-444.

This Court reversed the lower court's decision, holding that the Board's "evidentiary findings concerned confusion of the type which can support a finding of violation of § 411," adding that the case would be remanded for further proceedings "since we do not understand the court to have decided whether the Board's findings were supported by

substantial evidence on the record as a whole. . . .' 351 U. S. at 86.

Shortly after that decision this Court denied certiorari on a petition by this same respondent to review a decision of the Court of Appeals for the Ninth Circuit affirming a decree against the respondent in a private law unfair competition suit in a United States District Court in California. That suit had been brought by an aircraft manufacturing company in Los Angeles, North American Aviation, Inc., charging that the respondent's North American name had been fraudulently adopted to appropriate the good will of the manufacturing company. The District Court found that this charge was correct and enjoined the respondent here from using "the name 'North American', or any name of which the name 'North American' forms a part. . . ." *North American Aviation, Inc.* v. *North American Aircoach Systems, Inc.* (S.D. Calif., Cent. Div., 1955), Case No. 13,412-PH [unreported], *aff'd, North American Aircoach Systems, Inc.* v. *North American Aviation, Inc.*, 231 F.2d 205 (9th Cir. 1955), *cert. denied,* 351 U. S. 920 (1956).

Therefore, the respondent was compelled to change its name. It did so early in May, 1956, a few days before the present case was returned by this Court to the lower court. Without even advising either the Board or the lower court of its action, the respondent began doing business under the name "Trans American Airlines". This, of course, was a violation of the Board's Business Name Regulation, 14 C.F.R. § 291.28. That Regulation requires that a carrier secure Board approval for a changed name. 351 U. S. at 80.

The petitioner, by motion, advised the lower court of this action by respondent and requested that the lower court either declare inoperative or vacate its stay of the Board's order.

The lower court did not act on this motion. Rather, and without briefs or argument from the parties, it rendered the judgment here in question with the opinion set forth at pp. 1a-2a of the Appendix hereto. This opinion, as we have noted, sustains the Board's evidentiary findings of substantial public confusion, thus discharging the task for which this Court had remanded the case, and affirms the order of the Board requiring the respondent to cease and desist from using the North American name.

But then the opinion holds, in one sentence, that "the evidence does not support the finding of the Board that the term 'American' had acquired a secondary meaning" and in the following sentence adds, "Accordingly, we set aside the order of the Board insofar as it orders [respondent] to cease and desist engaging in air transportation under any other name which includes the word 'American.'." Appendix, p. 2a, *infra*.

Thus, the whole question of the scope of the Board's remedial order is dealt with by the lower court in a most abrupt manner *without the question ever having been raised by the respondent at any point, either before the Board or the lower court.* Moreover, after laborious and expensive administrative and judicial litigation, going all the way to this Court and lasting some four years, the Board's order is frustrated by a change in one syllable of the respondent's name—"North" changed to "Trans."

Finally, it should be noted that *the Board had not based its decision on the ground of secondary meaning.* We shall discuss this further, *infra,* pp. 22-24. Suffice it here to say that the respondent had argued to the Board *on the merits* that a finding of secondary meaning (in the technical trade-mark sense) in the word "American" was essential to a determination that the use of the name North American Airlines violated Section 411 and that no such finding could be made. Appendix, p. 9a, *infra.* The Board held that such meaning was established by the evidence but, beyond that, specifically held:

> "Even if respondent were correct in its arguments as to secondary meaning, we do not interpret section 411 so that respondent would prevail. We do not believe that in a case like the present, secondary meaning must be proven in order to protect the public against a clearly demonstrated and substantial public confusion. And this is certainly true where, as here, respondent has adopted a corporate name confusingly similar to the earlier adopted corporate name 'American Airlines'." Appendix, pp. 10a-11a, *infra.*

Thus, the lower court not only questions, on its own motion, the scope of the Board's remedial order at the very end of this long litigation. It also imposes a limitation on administrative discretion to protect the public — where a statutory unfair practice is established—imported from the common law's limitations as to the extent of private property rights in trade names.

Both the Board and this petitioner filed with the lower court petitions for reconsideration which included the grounds set forth in this petition. These were denied without opinion (R. 531, 532).

REASONS FOR GRANTING THE WRIT

It is submitted that the lower court has committed such patent error, so sharply in conflict with decisions of this Court as well as with decisions of other Circuits, that not only should the writ be granted but at the same time, without further proceedings, the Court should reverse the decision below, insofar as it sets aside the order of the Board.

1. THE LOWER COURT'S REVIEW OF THE SCOPE OF THE BOARD'S REMEDIAL ORDER, SUA SPONTE AND WITHOUT OBJECTION THERETO HAVING BEEN MADE BEFORE THE BOARD, CONFLICTS WITH CONTROLLING DECISIONS OF THIS COURT, AND SERIOUSLY CONFUSES A MOST IMPORTANT MATTER OF PRACTICE IN ADMINISTRATIVE LAW.

Section 1006(e) of the Civil Aeronautics Act, *supra*, p. 4, provides that the reviewing court *shall not consider* any objection to an order "unless such objection shall have been urged before the Board" or unless there "were reasonable grounds for failure to do so." There is no suggestion by the lower court, nor could there be, that there was any reasonable ground for the respondent's failure to have objected to the scope of the order before the Board. From the very first briefing of the case to the Examiner an order of the scope finally adopted by the Board was proposed and urged — and the respondent never voiced any objection thereto. It did not even file a petition for reconsideration with the Board after the Board had rendered its decision and issued its order. Thus, the controlling statute forbade the lower court from reviewing the scope of the order.

While this Court has never interpreted Section 1006(e) of the Civil Aeronautics Act, it has dealt at

length with other statutory provisions presenting the same question and with general principles governing the review of administrative action which involve the same problem.

One of the more recent cases is this Court's unanimous decision in *Federal Power Commission* v. *Colorado Interstate Gas Co.*, 348 U. S. 492 (1955), which involved Section 19(b) of the Natural Gas Act. For purposes of the question here, that section is identical to Section 1006(e) of the Civil Aeronautics Act. It provides:

> "No objection to the order of the Commission shall be considered by the [reviewing] court unless such objection shall have been urged before the Commission in the application for rehearing unless there is reasonable ground for failure to do so."

There, the Federal Power Commission, in fixing a natural gas rate, had refused to allow as part of the cost of service a loss from certain gasoline operations. Before the Commission the gas company objected that the method employed by the Commission in allocating the gasoline expense was erroneous and that a proper allocation would show that there was no loss. But it did not contend that, if there were a loss, the loss should not be disallowed. The reviewing Court of Appeals agreed with the Commission's method of allocation but then, *sua sponte*, held that the loss should not have been disallowed. This Court, on certiorari, reversed, setting forth at some length the reasons for not permitting a reviewing court to go beyond the

objections urged by the appealing party before the administrative agency. This Court said:

> "Section 19(b) reflects the policy that a party must exhaust its administrative remedies before seeking judicial review. To allow a Court of Appeals to intervene here on its own motion would seriously undermine the purpose of the explicit requirements of § 19(b) that objections must first come before the Commission." 348 U. S. at 499.

The Court added that Section 10(e) of the Administrative Procedure Act strengthens, rather than weakens, "the principle requiring the exhaustion of administrative remedies before permitting court review." 348 U. S. at 499-500.

Indeed, apart from specific statutory limitations upon the power of the reviewing court, it is a matter of general law governing review of administrative orders that the appellate court must limit itself to the objections urged before the administrative agency. This Court has enforced that principle with vigor:

> "We have recognized in more than a few decisions, and Congress has recognized in more than a few statutes, that orderly procedure and good administration require that objections to the proceedings of an administrative agency be made while it has opportunity for correction in order to raise issues reviewable by the courts . . . Simple fairness to those who are engaged in the tasks of administration, and to litigants, requires as a general rule that courts should not topple over administrative decisions unless the administrative body not only has erred but has erred against objection made at the time appropriate under its practice." *United States* v. *Tucker Truck Lines, Inc.*, 344 U. S. 33, 36-37 (1952) (footnotes omitted).

See also *United States* v. *Capital Transit Co.*, 338 U. S. 286, 291 (1949); *Unemployment Compensation Commission of Alaska* v. *Aragon*, 329 U. S. 143, 154-155 (1946).

And in the Ninth Circuit, the Court of Appeals has properly interpreted Section 1006(e) of the Civil Aeronautics Act as barring its consideration of questions not plainly raised before the Civil Aeronautics Board. *Western Air Lines* v. *Civil Aeronautics Board*, 196 F.2d 933, 936-937 (1952), *cert. denied*, 344 U. S. 875 (1952).

The lower court doubtless felt that the foregoing decisions do not apply in a case where its objection goes to the scope of the remedy. But neither Section 1006(e) of the Civil Aeronautics Act nor the general principle which it reflects applies any the less to objections directed to the scope of the remedy than to objections to the merits of the case. So it was squarely held under the similar statutory provision involved in *National Labor Relations Board* v. *Cheney Lumber Co.*, 327 U. S. 385, 387 389 (1946); see *National Labor Relations Board* v. *Seven-Up Co.*, 344 U. S. 344, 350 (1953). *Accord: National Labor Relations Board* v. *Winter*, 154 F.2d 719, 722 (10th Cir. 1946).

Any doubt on this score should certainly be set at rest.

As a matter of fact, the very breadth of administrative discretion involved in fashioning remedy to violation, *Jacob Siegel Co.* v. *Federal Trade Commission*, 327 U. S. 608, 613-614 (1946); *National Labor Relations Board* v. *Cheney Lumber Co.*, 327 U. S. 385, 388 (1946); *National Labor Relations Board* v. *Seven-Up Co.*, 344 U. S. 344, 346, 348 (1953), makes particularly compelling the application of this

principle where the question is one of objection to the scope of the remedial order.

That the error of the lower court is patent—unless decisions of this Court and of Courts of Appeals in other Circuits, referred to above, are to be overruled—is further evidenced by the lame effort to justify the lower court's action which appears in the respondent's answer to the petitions for rehearing filed by the petitioner and the Board after the lower court's decision (R. 523-530). In that answer the respondent states:

> "An accurate statement of the facts discloses that the hearing examiner in his initial decision proposed a sanction upon petitioner [respondent here] prohibiting it from using 'American' in its business name, to which petitioner [respondent here] excepted." (R. 529).

As authority for this statement the respondent cites its Exception No. 5 to the Examiner's initial decision (Tr. 852-855). That exception is set forth at pp. 36a-40a of the Appendix hereto. It is concerned solely with the respondent's argument on the merits that the evidence did not show confusion on the part of the traveling public between the respondent and the petitioner. There is not a word in this whole exception that is addressed to the *scope* of the order proposed by the Examiner. It merely urges that there should be *no order entered at all* because, allegedly, there had been no sufficient proof of confusion between the names North American and American.

Moreover, that this was the sole ground of the exception is fully confirmed by a reading of the briefs filed by the respondent both before the Board and the lower court (Tr. 900-914; R. 313-363, 441-454).

This Court has made it very clear that exceptions must "apprise the Board that petitioner intended to press the question now presented. . . ." *Marshall Field & Co.* v. *National Labor Relations Board,* 318 U. S. 253, 255 (1943). See *May Stores Co.* v. *National Labor Relations Board,* 326 U. S. 374, 386-387, n. 5 (1945); *Western Air Lines* v. *Civil Aeronautics Board,* 196 F.2d 933, 936-937 (9th Cir. 1952), *cert. denied,* 344 U. S. 875 (1952). The Board's rules require that an exception be specific "and shall state the grounds for such exception," and provide that an objection not covered by an exception "shall be deemed to have been waived." 14 C.F.R. § 302.30 (1953). Even had the respondent's exception stated that it objected to the remedy, that still would not be enough—for this Court properly insists that the ground be stated. An objection that the remedy is "contrary to, and unsupported by, the evidence and contrary to law" is not adequate notice to the administrative agency of the ground of objection to the remedy. *National Labor Relations Board* v. *Seven-Up Co.,* 344 U. S. 344, 350 (1953).

Nor is the lower court's departure from the decisions of this Court excusable because of the fact that a dissenting Board member disagreed with his brethren on the question of requiring that the name North American be dropped. The dissenter would have permitted use of that name with qualifying language to show that the respondent and the petitioner were two different carriers, on the theory that this would preserve the respondent's good will in the name North American and protect the public from confusion. Appendix, p. 21a, *infra.*

But this is a question very different from the objection now raised by the lower court. (It is notable that the respondent itself never did advance the view adopted by the dissenter.) The dissenter dealt solely with the issue of preserving good will established in the original name North American. The course he suggested would involve obvious practical difficulties in the case of a transportation company where spot radio and newspaper announcements are so important, and it is not surprising that the majority of the Board was not persuaded by the dissenter's suggestion. But the questions involved in that suggestion have nothing to do with the questions involved in determining whether to permit *other* variations of the word American, not theretofore used by the respondent and in which no good-will had been created. The reach of the remedy, in terms of forestalling other forms of the same violation of Section 411 of the Act — well illustrated in this case by the change of "North" to "Trans" — presents a set of considerations quite different from those voiced by the dissenter.

Indeed, the very fact that the dissenter focused attention on the remedy makes the lower court's action even less justifiable. The Board had every reason to believe that it was deciding all the questions which the respondent wanted to raise, for the dissent brought forward a different remedy and the respondent did not *even then* raise any question on the point by a petition for reconsideration, though entitled to do so under the Board's rules. *Supra*, p. 8. From beginning to end the respondent had made it as clear as though it had explicitly stated as much that respondent wanted its case to stand or fall on its right to use the name North American, and that, if any order were to

be entered, the scope of that order (which had been proposed in the very first briefs to the Examiner) did not concern it.

This, then, is an aggravated case of violence to the salutary principle which underlies Section 1006(e) of the Act and related provisions in other statutes. For here the respondent did not even carelessly sleep on its rights—it deliberately did not assert the objection now raised by the lower court. If this decision stands, every litigant before administrative agencies who contemplates seeking review in the District of Columbia Circuit will be encouraged to keep an ace up its sleeve. For after losing all disputed points the litigant is given strong hope that it will still be able to keep litigation alive by modifying its conduct in some minor respect and then starting anew on questions going to the scope of the remedy. The administrative process, already sufficiently slow, cumbersome, and expensive, would be irreparably harmed by the piecemeal treatment of issues invited by the lower court here.

2. CONTRARY TO DECISIONS OF THIS COURT AND OF OTHER CIRCUITS, THE LOWER COURT HAS IMPROPERLY INTERFERED WITH THE EXERCISE OF ADMINISTRATIVE DISCRETION IN THE CHOICE OF REMEDY TO PREVENT RECURRENCE OF LAW VIOLATION AND HAS DONE SO BY EQUATING THE PUBLIC'S RIGHT OF PROTECTION FROM STATUTORY UNFAIR PRACTICES WITH A PRIVATE PERSON'S RIGHT TO PROTECTION FROM PRIVATE LAW UNFAIR COMPETITION.

The lower court has fallen into another error, resulting from its mixing up two bodies of law—the law relating to an agency's discretion in protecting the public from statutory unfair trade practices and the law relating to the extent of a private party's

property interest in a trade name. In doing this, as we shall see, the court radically departs from principles established by this Court and other Courts of Appeals and injects serious confusion into an important area of administrative law.

When this case was here before, this Court held that the findings of confusion which the Board had made disclosed a Section 411 case, warranting a cease and desist order. Upon a remand to determine whether those findings were justified by the evidence, the lower court determined that they were. Thus, the lower court held, as indeed it had to under this Court's prior decision in this case, that the Board could order the respondent to cease using the North American name.

At this point only one question remained—assuming that the respondent had raised it, which it had not—i.e., whether it was reasonable for the Board to frame its order to reach *other* variations of the word American in a trade name.

Three settled principles bear on that question.

In the first place, it is hornbook law that an administrative agency, empowered to order a party to cease a practice found harmful to the public, is not limited to an order directed solely to the specific form of the practice involved in the case before it. Were the law otherwise, administrative agencies would be subjected to an intolerable runaround, and public protection could never catch up with the evil.

> ". . . the Commission is not limited to prohibiting the illegal practice in the precise form in which it is found to have existed in the past. If the Commission is to attain the objectives Congress envisioned, it cannot be required to confine its

> road block to the narrow lane the transgressor has travelled; it must be allowed effectively to close all doors to the prohibited goal, so that its order may not be by-passed with impunity." *Federal Trade Commission* v. *Ruberoid Co.*, 343 U. S. 470, 473 (1952).

And see *P. Lorillard Co.* v. *Federal Trade Commission*, 186 F.2d 52, 58, 59 (4th Cir. 1950); *Hershey Chocolate Corp.* v. *Federal Trade Commission*, 121 F.2d 968, 971-972 (3rd Cir. 1941).

In the second place, the only limitation upon the agency's power is that its remedial order must have a "reasonable relation to the unlawful practices found to exist." *Jacob Siegel Co.* v. *Federal Trade Commission*, 327 U. S. 608, 613 (1946).

In the third place, a reviewing court must recognize that the agency has "wide latitude for judgment," that it is to be expected to "draw from its generalized experience" in the area in question, and that "Its expert opinion is entitled to great weight in the reviewing courts." *Jacob Siegel Co.* v. *Federal Trade Commission*, 327 U. S. 608, 613, 614 (1946). See also *National Labor Relations Board* v. *Seven-Up Co.*, 344 U. S. 344, 346, 348 (1953).

None of these principles is recognized or applied by the lower court. Instead, after sustaining the Board's order against the North American name, its opinion proceeds abruptly to set aside the order against other variations of the American name on the ground that the evidence does not sustain the Board's finding that the word American has acquired a secondary meaning. This is done without any explanation of why the ground asserted requires the conclusion reached and

in spite of the fact that the Board had held specifically, as we have pointed out *supra*, p. 12, that its decision ***was not based upon its finding of secondary meaning.***

The clue to the lower court's rationale is to be found in its original opinion in this case, which was reversed by this Court. There, it will be recalled, the lower court had included in its opinion a long and rather obscure discussion of the law of private unfair competition and trade-marks, some passages of which suggest that the word American could not be the subject of a trade-mark. 228 F.2d at 440-443. In the light of that discussion it now appears that the lower court has concluded that this particular record does not show that the petitioner has an exclusive property right, as a matter of private law, to the use of the word American in an airline name — presumably illustrated by the fact that Pan American World Airways, during the petitioner's quarter-century of use of its name in domestic air transport, has also used the word in its name in the international field.[1]

But all this is beside the point. This is not a private law suit, and the petitioner made no effort to try it before the Board as though it were. In a private suit, where two companies have property interests in the same or a similar name, they may still have rights against each other which a court will adjust according to the equities, *Tillman & Bendel, Inc.* v. *California*

[1] As the Board pointed out in its opinion, these two carriers operate in quite different areas. Appendix, p. 10a, *infra*. In fact they do not serve a single common pair of points, and the petitioner's only international operations are limited trans-border services to Monterrey and Mexico City, Mexico, and Toronto, Canada, whereas Pan American World Airways does not operate in domestic United States transportation at all.

Packing Corp., 63 F.2d 498, 505-510 (9th Cir. 1933), and each may have rights against third party newcomers, *Del Monte Special Food Co.* v. *California Packing Corp.*, 34 F.2d 774, 777 (9th Cir. 1929). But, in any event, the niceties of private trade name law affecting the adjustments to be made in such situations as a matter of private property rights are based upon considerations wholly alien to the Board's concern in this case. For, under Section 411, as this Court in its prior decision made abundantly clear, the Board is concerned "not with punishment of wrongdoing or protection of injured competitors, but rather with protection of the public interest." 351 U. S. at 85. Thus, the only question for the lower court, even if the question had been properly before it, was whether the Board made an allowable judgment in fashioning its remedy to forestall continued confusion of the public when it determined, to use its own words, to eliminate "what we find to be the cause of such confusion." Appendix, p. 12a, *infra*.

Viewed in these terms, the error of the lower court was grievous. It is far fetched, indeed, to hold that the Board abused its discretion when it adopted precisely the same remedy as that applied, in similar cases, by the Federal Trade Commission over a span of more than thirty years in disposing of trade name problems under the analogous Section 5 of the Trade Commission Act. In *Galter* v. *Federal Trade Commission*, 186 F.2d 810 (7th Cir. 1951), *cert. denied*, 342 U. S. 818 (1951), the Commission order sustained was one which proscribed the use of the names Elgin, Hamilton, Remington, or Underwood, "or any simulation thereof, either alone or in connection with other words . . ." 44 F.T.C. 80, 102-103 (1947). In

Gold Tone Studios, Inc. v. *Federal Trade Commission,* 183 F.2d 257 (2d Cir. 1950), the Commission order sustained was one proscribing the use of the words Gold Tone "or any other word or words of similar import or meaning, either alone or in combination with any word or words as a corporate or trade name . . ." 45 F.T.C. 206, 217-218 (1948). In *Federal Trade Commission* v. *Real Products Corp.,* 90 F.2d 617 (2d Cir. 1937), the Commission order affirmed was one prohibiting the use of the word Champion "alone or in conjunction with any word or words . . ." 21 F.T.C. 714, 721 (1935). And in *Juvenile Shoe Co.* v. *Federal Trade Commission,* 289 Fed. 57 (9th Cir. 1923), *cert. denied,* 263 U. S. 705 (1923), the Commission order sustained was one prohibiting the respondent from using the word Juvenile as part of its corporate name. 5 F.T.C. 105, 111 (1922).[1]

As a matter of fact, courts of other Circuits have held such orders immune from the very attack made by the lower court here. In the *Juvenile Shoe* case, *supra,* one of the arguments made against the order was that the word Juvenile could not be preempted by a competitor of the respondent before the Commission. The Court of Appeals for the Ninth Circuit explicitly recognized the argument, pointing out that, "It is not asserted that the Juvenile Shoe Corporation [the competitor] has the exclusive right to the word 'Juvenile' as applied to shoes . . ." and that, "it

[1] Other cases which involved name confusion between two companies and in which the Commission has barred use of a word or words as *part* of a name include the following: Sewing Machine Sales Corp., 19 Fed. Reg. 5373 (1954); National Blind Industries, 18 Fed. Reg. 7189 (1953); Illinois Sewing Machine Distributors, 18 Fed. Reg. 4592 (1953).

may be that the word 'Juvenile' is not susceptible of appropriation as a trade mark." 289 Fed. at 59. Nonetheless the Court sustained the broad order of the Commission prohibiting use of the word Juvenile. Again in the *Galter* case, *supra*, a similar question was squarely presented. One of the arguments made against the Commission's order prohibiting all use of the words Elgin, Remington, etc., was that these words were not the exclusive property of some competitor of the respondent. But the Court of Appeals for the Seventh Circuit held:

> ". . . this is not an action for trademark violation but a proceeding to protect the public against fraud and deception. . . . Thus the Commission's order would have substantial support in the evidence even though the statements that the names in question belonged exclusively to Elgin, Remington and Underwood were wholly disregarded." 186 F.2d at 814.

See also *Pep Boys—Manny, Moe and Jack, Inc. v. Federal Trade Commission*, 122 F.2d 158 (3rd Cir. 1941), where the Court of Appeals sustained a Commission order proscribing the use of certain words in a trade name, even though it was clear that a number of different companies had long been using variations of the word.

In short, taking into account the three principles enunciated by decisions of this Court, *supra* pp. 21-22, as well as the established course of remedial treatment of comparable problems by the Federal Trade Commission for at least three decades, the propriety of the Board's order becomes apparent. Properly it found the cause of public confusion to have been the use of the word American. To eliminate that cause it

forbade use of that word. It cannot be said that the Board failed to make an "allowable judgment in its choice of remedy." *Jacob Siegel* v. *Federal Trade Commission*, 327 U. S. 608, 612 (1946). Moreover, the judgment of the Civil Aeronautics Board is entitled to even greater weight than is that of the Trade Commission in a case under Section 5 of the Trade Commission Act, for, as this Court emphasized in its previous decision in this case, whereas Section 5 "is concerned with purely private business enterprises which cover the full spectrum of economic activity," the Civil Aeronautics Act has committed the regulation of the air transport industry, peculiarly affected with a public interest, "to an administrative agency of special competence that deals only with the problems of the industry." 351 U. S. at 83, 84.

The importance of setting this matter right far transcends what is immediately involved in this case, even taking into account that this case involves the protection of the public on the nation's main transcontinental air route. Since the war, the Board's decisions have greatly intensified competition throughout the airline network and have authorized scores of new air carriers to engage in a multitude of services. Some carriers, called "supplemental carriers," range at will throughout the nation with special operations. Others are held to fixed routes. Some provide special categories of service—such as freight service or air tours. Others provide combination services. Freight forwarders have sprung up by the dozens. Hundreds of agents have become active in the passenger field, advertising and dealing with the public in virtually the same way as do the airlines themselves. And classes of service have steadily multiplied: first class,

coach, combination, excursion, family plan, charter; air express, ordinary freight, deferred freight. The whole process of informing the public of air services with reasonable accuracy has become incalculably more complex with burgeoning tariffs and timetables, with increasing layers of competition, with routes and authorized territory changing sometimes almost monthly. Nothing in the history of surface transportation compares with this dynamic maze.

At the very heart of the problem of informing the public is the matter of carrier name-identity. Even while this case has been pending, name problems in various forms have arisen in at least six other Board proceedings[1] and a whole cluster of such problems remains to be resolved in one of these cases still in process.[2] Nor are name problems the only ones emerging in the field of trade practices. Already a far-reaching question as to practices in the advertising of schedules has come to the fore[3]—illustrative of the kind of stress which increasing competition for patronage inevitably creates.

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[1] See the following C.A.B. orders: E-10738, November 2, 1956; E-10380, June 15, 1956; E-9744, November 15, 1955, Mimeo. Opinion, p. 31 and E-9884, December 29, 1955, Mimeo. Opinion, pp. 20-21; E-9676, October 20, 1955; E-9388, July 14, 1955; E-8470, June 24, 1954.

[2] Order No. E-9884, December 29, 1955, Mimeo. Opinion, pp. 20-21.

[3] Flight Schedules of Certificated Air Carriers, C.A.B. Economic Regulations Draft Releases No. 80, April 11, 1956, and No. 80A, May 2, 1956. The question in this proceeding is that of requiring that advertised schedules reflect actual performance with reasonable accuracy. This Court's prior decision in this case has been relied upon by several of the interested parties in their discussion of the action that should be taken by the Board. See, *e.g.*, memorandum submitted by counsel for the Air Line Pilots Association at the oral argument, pp. 3-4, included in the docket.

In the public interest there has to be coherent regulation of this complex; the law of the jungle would invite chaos. But the judge-made private law of unfair competition, with limited reach and with edicts varying from court to court, would not be satisfactory either to the patron or to the supplier of service. Nor could the Federal Trade Commission, with its general jurisdiction, do the job effectively. The rules of fair practice have to be laid down in the context of intimate and continuing experience nation-wide. With notable prescience, Congress saw this need and so transferred jurisdiction over trade practices of air carriers from the Federal Trade Commission to the newly created Civil Aeronautics Board when the Civil Aeronautics Act was adopted, and later added travel agents to the Board's responsibilities.[4]

In its original opinion in this case, the lower court—which is the most important of the Courts of Appeals as a reviewer of the Board's action because most frequently invoked—turned the clock back to the 1920's in its treatment of the Board's substantive jurisdiction. Its opinion reflected a preoccupation with principles of common law unfair competition and a hostile attitude toward agency judgment of the public's interest. This Court's opinion, reversing the lower court, strongly reaffirms the doctrines of the Court's modern decisions on the extent of agency substantive jurisdiction over statutory unfair practices.

But, on the remand, the lower court, persisting in mixing up private law doctrines with the law of statutory unfair practices, now casts a dark shadow over

[4] 52 Stat. 1003 (1938), as amended, 66 Stat. 628 (1952), 49 U.S.C. § 491.

the agency's freedom to fashion remedy to violation. A remedial pattern long established by the Federal Trade Commission in this type of case is summarily rejected, and no recognition is given to this Court's settled principles which emphasize the leeway that an agency must have in determining the remedy to be applied when violation is found. That the lower court has raised an objection, *sua sponte*, never even remotely advanced before the agency itself, more than two and a half years after the case was finally disposed of by the agency, serves but to underline the gravity of the precedent set. The efficacy of the broad substantive jurisdiction which Congress intended can be largely defeated if narrowing judge-made restraints, drawn from a court's conception of the private law of unfair competition, are to be imposed upon the agency in its choice of remedy.

CONCLUSION

Decisions of the Court of Appeals for the District of Columbia Circuit on matters of administrative practice have a special importance because that court is so frequently called upon to review agency orders. Hence, the diligent administrative practitioner looks closely to those decisions for guidance in the conduct of the administrative case and in the formulation of exceptions and of proposals for agency action. Here, that court either has ignored or has cut a large hole in what, heretofore, had been a clear requirement that grounds of objection be stated to the agency and that wide scope be allowed for agency judgment in formulating remedial orders for the benefit of the public. The decision cannot be reconciled with this Court's precedents and with a number of decisions in other

Circuits. Hence, if permitted to stand, it can only breed confusion and doubt—certainly with respect to the Board's practice, and also with respect to that of the Trade Commission and other agencies. Therefore, the writ should be granted and, at the same time, the judgment below, insofar as it sets aside the Board's order, should be reversed.

The several applicable precedents in this Court's decisions are clearly inconsistent with the lower court's action. There is every reason for continued adherence to those precedents. Accordingly, the writ should be granted and at the same time the judgment below, insofar as it sets aside the Board's order, should be reversed.

Respectfully submitted,

HOWARD C. WESTWOOD

JOHN W. DOUGLAS
Attorneys for Petitioner

December 17, 1956

COVINGTON & BURLING
Of Counsel

APPENDIX

UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 12041

NORTH AMERICAN AIRLINES, INC., PETITIONER

v.

CIVIL AERONAUTICS BOARD, RESPONDENT,
AMERICAN AIRLINES, INC., INTERVENOR

On Remand from the Supreme Court of the United States

Decided July 12, 1956

Before PRETTYMAN, FAHY and DANAHER, *Circuit Judges*.

PER CURIAM: This case is before us now on remand from the Supreme Court, *American Airlines* v. *North American Airlines*, 351 U.S. 79. In the light of the decision of the Supreme Court we hold that upon consideration of the record as a whole the finding of the Board that the use by petitioner of the name "North American Airlines, Inc.," "North American Airlines," or "North American," causes substantial public confusion which is likely to continue, is supported by the evidence. We accordingly affirm the order of the Board insofar as it denies the application of petitioner for authority to engage in air transportation under the name North American Airlines, Inc., and orders them to cease and desist from engaging in air transportation under the names North American Airlines, Inc., North American Airlines,

or North American. But the evidence does not support the finding of the Board that the term "American" had acquired a secondary meaning before petitioner incorporated that term in its name or changed its corporate name, or the finding that such secondary meaning continues to exist. Accordingly, we set aside the order of the Board insofar as it orders petitioner to cease and desist engaging in air transportation under any other name which includes the word "American."

In view of the foregoing and because of the representations made to us by motion of intervenor, American Airlines, Inc., that during the pendency of the remand petitioner has abandoned the use of the name North American Airlines, Inc., and is now using the name "Trans American Airlines," the case will be remanded to the Board for such further proceedings as it may be advised, and as are consistent with this opinion.

It is so ordered.

E-7870

UNITED STATES OF AMERICA CIVIL AERONAUTICS BOARD

Washington, D. C.

Served: Nov 4 1953

Docket Nos. 5774 and 5928

North American Airlines Section 411 Proceeding

Decided: November 4, 1953

North American Airlines, Inc. (Twentieth Century Airlines, Inc.) ordered to cease and desist from engaging in air transportation under the names "North American", "North American Airlines", "North American Airlines, Inc.", or any combination using the word "American"

Appearances:

Hardy K. Maclay and Walter D. Hansen for North American Airlines, Inc:

Howard C. Westwood, Ernest W. Jennes and Clifton J. Stratton, Jr., for American Airlines, Inc.
Robert M. Johnson, Enforcement Attorney.

OPINION

By the Board:

This proceeding involves an investigation instituted by the Board to determine whether North American Airlines, Inc., formerly Twentieth Century Airlines, Inc. (respondent) has been and is violating Section 411 of the Act by engaging in air transportation under the name North American Airlines, Inc., North American Airlines, or North American.[1] The order instituting the investigation consolidated into it an application by respondent, filed under section 291.28 of the Economic Regulations, for authority to conduct its operations under the name North American Airlines, Inc., rather than as Twentieth Century Airlines, Inc., the name in which respondent holds its letter of registration as a large irregular air carrier. American Airlines, Inc. (American) was granted leave to intervene.[2]

After due notice a public hearing was held before Examiner Walter W. Bryan who has issued his Initial Decision. In it he found (a) that respondent's use of the name North American Airlines, Inc., North American Airlines, North American, or any combination of the word American constitutes an unfair or deceptive practice and an unfair method of competition within the meaning of section 411 of the Act, (b) that the public interest requires denial of respondent's application to engage in air transportation under the name North American Airlines, Inc., and (c) that respondent, its successors, assignees, representatives, agents, officers and employees should be ordered to cease

[1] Order No. E-7107, dated January 28, 1953.

[2] Order No. E-7174, dated February 19, 1953.

and desist from engaging in air transportation under the name North American Airlines, Inc., North American Airlines, North American, or any combination of the word American. Respondent has excepted to the Initial Decision.[3] The Board has heard oral argument, and the case now stands submitted for decision.

Upon consideration of the entire record, we agree with the Examiner's ultimate findings as set forth above. Those portions of his Initial Decision which we adopt as our own are attached hereto as an appendix. We shall discuss herein some of the contentions raised in respondent's exceptions, and in so doing we shall supplement the findings and conclusions contained in the appendix.

1. Respondent presents several exceptions attacking the sufficiency of the evidence of record to establish that respondent has caused substantial public confusion between itself and intervenor by using the names North American, North American Airlines, or North American Airlines, Inc. The Examiner found that such confusion exists by reason of the similarity between North American and the word American as used by intervenor. We concur in this finding. In addition, we find that substantial public confusion exists due to similarity between respondent's names and the name American Airlines. Evidence supporting these findings is partially summarized in the appendix. We have examined the evidence in the light of respondent's attacks upon both its weight and its admissibility, as discussed below, and have determined that the record amply supports our findings.

Respondent assails both the admissibility and the weight of evidence of confusion introduced in the form of written

[3] Respondent has filed a brief in support of its exceptions. American filed a statement in lieu of exceptions approving the Examiner's ultimate findings, with a brief to the Board in support of its position. Counsel for the Board's Office of Enforcement filed no exceptions but requested the Board to consider his brief to the Examiner.

statements by certain American reservations and ticket office employees who were not called as witnesses. It is true that virtually all of the evidence of public confusion in the Chicago area is of this nature. But the finding of substantial confusion is required by the abundant testimony and written statements as to public confusion in the New York and Los Angeles areas personally observed by at least seven[4] witnesses who were extensively cross-examined upon their testimony and statements. In finding substantial public confusion, we do not depend or rely upon the corroborative value of the evidence respondent thus assails. Indeed, all our findings and conclusions in this proceeding are based only upon evidence given by persons appearing as witnesses and available for cross-examination.

2. Respondent contends that the Examiner improperly relied upon evidence of confusion on the part of persons who were not shown to have been prospective buyers of air transportation at the time they evinced confusion. Such evidence related to attempts of merchants, hotels, and others to hold American Airlines answerable for the obligations or acts of respondent. Respondent views our inquiry as confined to the question of whether *shoppers for air travel* will be confused, and asserts that such confusion is not established by the evidence in question.

Even assuming that our concern is directed only to confusion of prospective passengers,[5] evidence of confusion of members of the public not so identified does not lack probative force. There is no reason to believe that those who

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[4] Witnesses Newkirk, Perry, Rowley, Avery, Heide, Houck and Reynolds; also witness Burg.

[5] Obviously the public to whose interests we must look herein does not consist solely of individuals contemplating purchase of air transportation. For example, the record shows that a person whose sole transportation interests at the time may lie in the journey of another can experience considerable inconvenience if under a misapprehension as to the carrier's identity and time and place of arrival.

as creditors confused respondent with intervenor are more prone to such confusion than prospective air travellers. The evidence here challenged by respondent corroborates the direct evidence of confusion on the part of the travelling public. Indeed, such creditors may be themselves prospective air travellers.

3. The bulk of the confusion shown in the record was on the part of persons reasonably identified as prospective or actual purchasers of air transportation. In attacking this evidence, respondent argues that the showing of confusion due to similarity of names actually represented confusion which the witnesses had imputed to, rather than observed in, the public. Respondent claims that the public behavior observed by these witnesses, properly interpreted, indicates either (a) no confusion on the part of the traveller or caller at all, or (b) confusion involving some carrier other than respondent, or (c) confusion between respondent and intervenor not attributable to a similarity of names.

(a) The record contains few instances where it would be reasonable to conclude that the caller was not confused at all. Respondent would so describe persons who presumably were trying to telephone respondent but who in fact telephoned American possibly because of a wrong number. But absent a showing of a confusion due to similarity of telephone numbers, receipt by American of telephone calls intended for North American is itself some evidence of a confusion due to similarity of names. Respondent also regards as not confused persons who apparently called American intentionally and who, according to respondent, did so merely because they regarded American as a good source of desired information. While there is no dispute that such calls are received by American, very few of the instances described by the witnesses were even arguably of this nature.[6] The evidence as a whole is

[6] This finding is made with full cognizance of certain evidence in the record showing that intervenor does receive general inquiries regarding air transportation where there is no confusion. Respondent improperly attempts to classify as inquiries of this character requests which we conclude involve confusion.

convincing that in almost all instances offered to show confusion of the public, confusion was definitely or very probably present.

(b) In certain instances respondent does not deny that confusion may have been present, but argues that the caller or traveller whom the witness observed may have confused American with some air carrier other than North American. This argument is inapplicable to a major portion of the cases reported by the witnesses, because the conduct of the persons observed directly exhibited that North American was involved. The argument is unpersuasive in other instances which were indirectly linked to North American by references to North American flight numbers or advertising, including in one case the name of a radio entertainer sponsored by respondent. It is true that the link to respondent is imperfect where it consisted merely in references by the caller to special fares, particular destinations and distinctive features of service shared by carriers other than respondent. However, such cases are overshadowed by the evidence in which North American's role in the confusion is obvious.

(c) Respondent disputes the causal relationship between the similarity of names and the public confusion between the carriers using such names. Respondent cannot successfully challenge such a relationship on this record. That there is in fact a similarity between the names of respondent and intervenor is obvious, and where the evidence shows members of the public have confused respondent with intervenor, the implication is strong that such confusion flows from the similarity. The record will not permit us to draw a contrary inference. It has not been shown that comparable public confusion exists between intervenor and a carrier with a clearly dissimilar name, nor between respondent and a carrier with a clearly dissimilar name. Moreover, respondent is unable to point to any prevailing circumstance more likely than the similarity of the parties' names to account for the confusion between itself and intervenor. In

one case, in which a letter addressed to American Airlines at the Lockheed Air Terminal in Burbank, California, was misdelivered to respondent's counter at the same terminal, respondent urges as the probable reason that the letter bearing the name of an American Airlines' employee, Miss Newkirk, beneath that of American Airlines, was misdelivered because respondent also had an employee named Newkirk. But this single instance affords respondent little aid in view of the evidence that there were other instances of letters both misdelivered and misaddressed as between American Airlines and North American. In these cases there was no evidence of similar personal names, and the conclusion that the similarity in the carriers' names was the causal factor can hardly be avoided.

4. Respondent contends that any instances which may show a confusing similarity of names are too few to support a finding that such confusion is substantial or widespread. Respondent attacks a statement of the Examiner that it would be reasonable to assume on the basis of the evidence that American Airlines' personnel in the Los Angeles area receive 200 inquiries a week involving confusion on the part of the public. Respondent asserts that the evidence shows there were 8 instances a week of allegedly confusing inquiries received by American Airlines in that area, including only one which respondent concedes may have in fact involved actual confusion due to similar names. Respondent thus contends that any confusion caused by the similarity of names is *de minimis*.

The fact is that such confusion has been shown by the evidence of record to be substantial. We need not determine whether to endorse the precise numerical estimate of the Examiner, but we must reject respondent's assertion that American Airlines' Los Angeles personnel received only 8 inquiries per week involving confusion. That figure refers to certain reports by American Airlines' personnel committed to writing under the instructions of their super-

visor who testified that for some time past instances of confusion with respondent had been frequently brought to his attention by his subordinates. He also testified that the reports, including those made by other witnesses, were representative of such instances; that some reports which he did not consider completely illustrative of the problem were discarded; that the instructions did not call for reporting all instances as that would have been an impossibility, since the personnel in question were busy answering telephones and handling many customers; and that his instructions called for reports of specific instances of unusual confusion or of a particular type of confusion which had happened repeatedly. The testimony of the American Airlines' ticket counter and telephone reservation personnel in Los Angeles and New York indicates the frequency of the confusion, or of one particular type of confusion, observed by individual witnesses as daily, practically daily on the night shift, three or four times a week, five or six in a five-day week, three or more a week, etc. Such indications are cumulative rather than duplicative as to number, and since the witnesses testified as to observations made in work performed by them as a part of a much larger force also so occupied, their observations can be taken to represent only a small part of such occurrences. This is confirmed by the testimony of American's supervisory witnesses from New York and Los Angeles, that public confusion involving respondent had come to their attention for some time as a problem which they encountered as supervisors.

5. Respondent has taken the position that, apart from the question of confusion, we cannot find a violation of section 411 herein because the word American as used by intervenor in air transportation did not acquire a secondary meaning referring to intervenor. We concur in the Examiner's finding and conclusion to the contrary. The evidence establishes that intervenor has long engaged in extensive advertising of its services in the name of "American".

This practice has helped to instill in the minds of the public the notion that the word "American" when used in connection with domestic air transportation denotes American Airlines. This is dramatically illustrated by the fact that intervenor has been and is commonly referred to in news items in the public press as American. Where, as here, the record shows that the public press identifies "American" with the intervenor, and believes that the reading public makes the same identification, we find strong evidence of secondary meaning in the word "American."

In finding the secondary meaning, we have not overlooked the recent use of the word American in the name of the sectional local service carrier All American Airways, which has since changed its name to Allegheny Airlines. Nor have we overlooked the recent use of the word American in the name of the irregular carrier Air America, against whom an enforcement proceeding[7] involving its name is now pending before us. We have also considered the use of American in the name Pan American World Airways. There, the use occurred in the separate field of international and overseas air transportation, from which intervenor is wholly excluded except to the extent of serving Mexico City. The fact that intervenor in its long history of extensive advertising may have, at times, emphasized the word "flagship" more than it emphasized its name does not destroy the continuity of its use of that name. There is no doubt that the word American, used in connection with domestic air transportation, is widely known as meaning the intervenor, and that the phrase American Airlines is also understood to refer to intervenor and not to denote the airlines of this nation or continent generally.

Even if respondent were correct in its arguments as to secondary meaning, we do not interpret section 411 so that respondent would prevail. We do not believe that in a case like the present, secondary meaning must be proven in

[7] Docket No. 6078.

order to protect the public against a clearly demonstrated and substantial public confusion. And, this is certainly true where, as here, respondent has adopted a corporate name confusingly similar to the earlier adopted corporate name "American Airlines."

Respondent asserts that its use of its name has not been shown to have been fraudulent. Respondent did not commence and develop its operations as North American Airlines under circumstances of time, place, or nature and scale of operations in which confusion with intervenor would have seemed a remote prospect, but rather changed its name from Twentieth Century Airlines to North American Airlines at a time when American Airlines was universally known in air transportation circles and when operations between major cities served by American must have loomed large in respondent's contemplation of its future activities. Under the circumstances, it was obvious that the similarity of names might well cause confusion. Respondent must be presumed to have intended the reasonably foreseeable consequences of its own acts. We find that respondent's use of a confusingly similar name was not accidental or inadvertent, but rather was knowing.*

We are well aware that an order requiring respondent to cease and desist using the name under which it has been engaging in air transportation is a serious sanction which

*There is some evidence which, literally read, would support a finding that respondent used its name in order to secure for itself prospective passengers of intervenor. Moreover, there is other evidence, introduced by respondent, clearly showing the regular use by respondent of misleading advertising concerning itself. This evidence shows that respondent's radio commercials regularly contain the words "North American one of the nation's four great airlines". Clearly the word great, used to describe a commercial enterprise such as an airline, would normally be understood in its usual sense of big or large. By no objective criteria is the quoted claim, so interpreted, even close to being true of respondent. American Airlines, however, by most if not all tests of size is in fact one of the four largest domestic air carriers, a group commonly referred to as the "Big Four".

necessarily involves disturbance and loss to the carrier. We do not impose such a measure lightly. But the record is convincing that the public interest requires this action in order to prevent further public confusion between respondent and intervenor due to similarity of names. The maintenance of high standards in dealing with the public is expected of common carriers, and the public has a right to be free of the inconveniences which flow from confusion between carriers engaging in the transportation of persons by air. The speed of air travel may well be diminished when passengers check in for flights with the wrong carrier, or attempt to retrieve baggage from the wrong carrier, or attempt to purchase transportation from the wrong carrier, or direct their inquiries to the wrong carrier. Friends, relatives or business associates planning to meet passengers or seeking information on delayed arrivals are subject to annoyance or worse when confused as to the carrier involved. The proper handling of complaints from members of the public is impeded by confusion as to the carrier to whom the complaint should be presented. The transportation itself may differ from what the confused purchaser had anticipated (e.g., in terms of equipment), even though the time and place of arrival may be about the same. It is obvious that public confusion between air carriers operating between the same cities is adverse to the public interest, and we have determined that the public should be protected from the effects of the confusion shown on the record by eliminating what we find to be the cause of such confusion.[9]

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[9] Respondent cites certain orders issued in Docket No. 4776 (Ralph Cox, Jr. d/b/a Ocean Air Tradeways) as a precedent under section 411 to the effect that actual injury to the intervenor must be shown before the Board can act under that section. We do not so read these orders (Nos. E-4990 of December 29, 1950, E-5897 of November 28, 1951, and E-6778 of September 10, 1952), for it appears that the complainant in that case, Overseas National Airlines, proceeded on a claim of purely private rights but failed to allege facts showing any injury from violation of such rights. Furthermore, substantially all of the business of the other carrier,

We have considered the remaining contentions of respondent in support of its exceptions and find them without merit.[10]

Respondent also excepts to the Examiner's statement that the courts have consistently upheld the public interest as being the foremost issue in cases involving violation of trade-marks and have granted injunctive relief without proof of fraud, deception or injury to the owner of the trade-mark. We have not adopted the Examiner's statement and accordingly need not comment further on that subject.

Accordingly, in view of the foregoing and upon consideration of the entire record we find:

United States Overseas Airlines, was under contracts with the military establishment, rather than with the general public. These orders by no means imply that where the public interest may be adversely affected by a confusing similarity of names the Board before acting under section 411 will require a showing of actual injury to the private complainant who asserts a right in such a name.

[10] Respondent excepts to the Examiner's statement that the issues herein include the question of whether granting respondent's application for leave to change its name to North American Airlines, Inc., would be contrary to the public interest. Respondent asserts that under the order instituting the investigation the sole issue was stated to be the violation of section 411 by the use of the name North American, etc., that this delineation of the issues was reaffirmed both in an order denying intervenor's motion to clarify and broaden the issues and in the prehearing conference report, and that the Examiner's addition of a new issue after hearing deprived respondent of notice. There is no doubt that respondent's application was consolidated herein by the order initiating the investigation under section 411 (No. E-7107 of January 28, 1953) and was referred to as such in the prehearing conference report. However, we agree with respondent that the only issue in this proceeding is whether there has been a violation of section 411. For, under the regulation regarding change of name under which respondent's application was filed, as interpreted by the order initiating the investigation mentioned above, a denial of the application may be ordered only if a violation of section 411 is shown. Thus the issues under respondent's application and the Board's order of investigation herein are identical.

1. That American Airlines and North American Airlines are in competition in air transportation;

2. That American Airlines was incorporated under that name before North American adopted the trade name of, or changed its corporate name to, North American Airlines; that the term "American" had acquired a secondary meaning before North American adopted that trade name or so changed its corporate name, and such secondary meaning continues to exist;

3. That the substantial public confusion found herein is likely to continue;

4. That the use by respondent of the name "North American Airlines, Inc.", "North American Airlines", "North American", or any combination of the word "American" constitutes an unfair or deceptive practice and an unfair method of competition within the meaning of Section 411 of the Act;

5. That the public interest requires that the application of respondent, Docket No. 5774, for authority to engage in air transportation under the name North American Airlines, Inc., be denied;

6. That respondent and its successors, assignees, representatives, agents, officers, and employees should be ordered to cease and desist from engaging in air transportation under the name "North American Airlines, Inc.", "North American", or any combination of the word "American".

An appropriate order will be entered.

Ryan, Chairman, Denny, Vice Chairman, Lee and Gurney, Members of the Board, concurred in the above opinion. Adams, Member, filed the attached dissenting opinion.

Adams, Member Dissenting:

I dissent from the action taken by the majority since I do not agree with their application to this case of the law of unfair competition nor with the particular sanc-

tion they have imposed upon North American Airlines, Inc. I feel that neither our Office of Enforcement nor the intervenor, American Airlines, Inc., has successfully borne the burden of proving the existence of unfair competition since in my view, although some public confusion has been demonstrated, I do not agree that it is substantial, or more than temporary.

As I read the leading cases on the subject of unfair competition, I feel that the error made by both the examiner and the majority arises from their tendency, on the one hand, to ignore the basic common law of competition and that of secondary meaning; while on the other hand they over emphasize the gullibility of the average purchaser in this country and magnify the significance and degree of public confusion shown on the record of this case. With this as a basis, the majority concludes that the name "American" has acquired a secondary meaning in the public mind, denoting only American Airlines, Inc.; that substantial public confusion exists and is likely to continue; and that, therefore, American Airlines, Inc., must be protected from the use by respondent, North American Airlines, Inc., of the word "American" as any part of its business name.

Since American Airlines, Inc., carries approximately 5½ million passengers each year over its system, I am not impressed with the fact that witnesses in this case (principally those employed by American Airlines itself) have testified that some confusion has existed between the services offered by American, on the one hand, and North American on the other. On the contrary, I would be greatly surprised, (in view of the several million phone calls and other communications which American Airlines receives every year over and above those received from passengers which it actually carries) if there were not *some* demonstrable public confusion between American Airlines and the respondent in this case. As I read the law, however, a new "competitor" is not required to insure against any and all

confusion which its entry into the field may cause to certain uninformed purchasers.

When considered in the light of the facts before us in this case, the following excerpts from court decisions bearing on the matter of public confusion and the extent of that confusion required to support injunctive relief are pertinent:

> "The issue in such a case as this is 'whether an appreciable number of prospective purchasers of the goods . . . are likely' to be confused. 'That a few particularly undiscerning prospective purchasers might be so misled is not enough.' "
>
> *Eastern Wine Corp.* v. *Winslow Warren Ltd., Inc.*, 137 F. 2d 955, 960 (1943).

In the *Life Savers Corp. Case*,[1] just as in the case before us, some confusion was actually shown. The Circuit Court, however, quoted the trial court and agreed " . . . it is just as probable that the confusion can be attributed to the size and shapes of the various packages as to the exact wording and coloring of the labels". In that same case, in view of the tremendous volume of sales the court said, "It would be extraordinary if some confusion could not be found irrespective of the details of the dress of the package".

Although both the examiner and the intervenor here have cited the *Florence Manufacturing Case*[2] and the language therein to the general effect that the ignorant, unthinking and credulous public must be protected by the law of unfair competition, other authoritative cases take a different view. The *same court* which decided the *Florence Case* had the following to say 33 years later on the matter of unduly protecting the interest of the businessman:

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[1] *Life Savers Corp.* v. *Curtiss Candy Co.*, 182 F2d 4, 8 (1950).

[2] *Florence Mfg. Co.* v. *J. C. Dowd & Co.*, 178 F. 73 (1910).

"The failure to keep constantly in mind the divers policy considerations which, in this legal province, come in conflict with one another and the consequent occasional over-emphasis on but one of them—the protection of the interest of the businessman who has built a business around a name—has sometimes led to decisions unduly extending the confines of name-monopolies. For a time the courts were remarkably generous in fixing the boundaries of such monopolies. *Today the tendency is to be somewhat less generous.* (*Durable Toy & Novelty Corp.* v. *J. Chein & Co.* 133 F2d 853, 1943) *We approached the case at bar then, having in mind the basic common law policy of encouraging competition and the fact that the protection of monopolies in names is but a secondary and limiting policy.*" (Emphasis added.)

Eastern Wine Corp. v. *Winslow-Warren Ltd., Inc.*, 137 F2d 955, 959 (1943).

In 1943 a District Court in Nebraska had this to say on the matter of the obligation of a new competitor toward the non-discriminating public:

"Upon this branch of the case the law is settled that competition is not forbidden but rather unfairness in competition and that the essence of actionable unfairness in competition is the creation by one come newly into a competitive field of a situation that is reasonably calculated to result in the passing off of his goods as those of his competing predecessor in the market. Again, *the new competitor is not held to the obligation of an insurer against some confusion*, but is required only to use reasonable care to inform the public of the source of his product, to use every reasonable means to prevent confusion. *Pointedly, he is not obliged so to guard his competitive methods that even the negligent or inattentive purchaser will be protected from confusion. As the cases in some instances have put it,*

> *he is not required to make the market 'fool proof'." Skinner Mfg. Co.* v. *General Foods Sales Co.*, 52 Fed. Supp. 432, 450 (194). (Emphasis added)

The thorough-going analysis of the law made by the District Court in this case was commented upon with approval by the Circuit Court on appeal[3] and certiorari was denied by the Supreme Court of the United States. Even more recently, in 1950, the Court of Appeals for the 7th Circuit made this pertinent observation:

> "A new competitor is not held to the obligations of an insurer against all possible confusion. *He is not obligated to protect the negligent and inattentive purchaser from confusion resulting from indifference* . . . In *Fruit Growers Co-op.*, 170 F2d 834 at page 837, this court said: '. . . Instead they are required only to mark or designate them in such manner that purchasers exercising ordinary care to discover whose products they are buying will know the truth and not become confused or mistaken . . .' " *Life Savers Corp.* v. *Curtiss Candy Co.*, 182 F2d 4, 8 (1950). (Emphasis added.)

In light of the foregoing authorities and many others cited in Respondent's briefs and exceptions (and not mentioned either by the examiner or the majority), I conclude that the public confusion or the likelihood of its continuance established in this record is not such that this Board should enjoin Respondent from continued use of its corporate name on the grounds of unfair competition.

Aside from the foregoing difficulties which I have relative to the findings of public confusion in this case, I must also differ with the finding as to secondary meaning made by both the examiner and the majority. This legal doctrine has been clearly defined in several cases, but in no case

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[3] *Skinner Manufacturing Co.* v. *Kellogg Sales Co.*, 143 F2d 895 (1944) Cert. Denied, 323 U. S. 766.

do I find that it has been applied to protect the user of a geographical name such as "American", where that user was neither the first nor the exclusive user. As shown by this record, of course, American Airlines can claim to be neither the first nor the exclusive user.

I have carefully examined the thirteen cases upon which the examiner and the majority rely for the finding that the term "American" when applied to air transportation has taken on a secondary meaning so that a new airline must not be allowed to use the term as any part of its business name. In every one of the cases cited the plaintiff prevails under this theory of secondary meaning because *without exception the plaintiff was both the first and sole user of the name involved.*[4] Furthermore, in eleven of the thirteen cases the name sought to be used by the new competitor was either identical to that of the first and exclusive user or sounded identical thereto or differed therefrom only by the omission of one letter (viz., "Finchley" as the original name compared with "Finchly" used by the new competitor in the *Finchely Case*). Also in many of the

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[4] *Hudson Tire Co., Inc.* v. *Hudson Tire & Rubber Corporation et al.*, 276 Fed. 59 (1921).
Standard Paint Co., v. *Rubberoid Roofing Co., et al.*, 224 Fed. 695 (1915)
American Products Co., v. *American Products Co.*, 42 F2d 488 (1930).
American Radio Stores, Inc., v. *American Radio and Television Stores Corp.*, 150 A. 180 (1930).
Delaware L. & W. R. Co. v. *Lackawanna Motor Freight Lines*, 175 Atl. 905 (1934).
Barton et al., v. *Rex-oil Co., Inc.* 2 F2d 402 (1924).
American Thread Co. v. *North American Thread Co., Inc.*, 33 Fed. Supp. 616 (1935).
Womble v. *Parker*, 67 S.E. 2d 133 (1951).
Phillips v. *The Governor & Co. of Adventurers of England trading into Hudson Bay*, 79 F2d 971 (1935).
Lincoln Motor Co., et al., v. *Lincoln Automobile Co.*, 44 F2d 812 (1930).
Finchley, Inc., v. *Finchly Co., Inc.*, 40 F2d 736 (1929).
Western Auto Supply Co., v. *Knox*, 93 F2d 850 (1937).
Thomas A. Edison, Inc., v. *Shetkin*, 69 Fed. Supp. 176 (1946).

cases cited by the examiner, the courts made specific findings that the second user of the name involved had adopted it with the willful and fraudulent intent to deceive the public (*Standard Paint Case, Barton Case, Delaware and Lackawanna Case, and Finchley Case*)—whereas in the case now before us the examiner made no such finding but, in fact, found that "There is no evidence of record that North American adopted its name with intent to deceive the public or trade upon the good will and business reputation of American."[5]

In other cases cited by the examiner in support of his finding of secondary meaning the courts found, as a matter of fact, truly substantial evidence not only of public deception, but also of actual injury to the trade or profits of the plaintiff. (*Barton Case, American Radio Stores Case* and the *Womble Case.*) On this point also the examiner in the case now before the Board has specifically found *no evidence* that American has been injured by North American's operation.

In light of the foregoing distinguishing features of the cases cited from the facts in the present record, I cannot agree that American Airlines has established a secondary meaning in the term "American" when applied to air transportation such as to give that carrier an "exclusive" property right to the name or such as to require North American Airlines to be enjoined from further use of that term in its name.

In light of what I have said earlier concerning my differences with the majority on the extent of public confusion actually proven here, I must also dissent from their finding that the similarity of the two names, American Airlines, Inc., and North American Airlines, Inc., is so great as to require us in the public interest to enjoin North American from further use of its corporate name. Although it is not clear from the majority opinion itself whether the

[5] Examiner's Report, page 15.

finding as to similarity in names is based on evidence of public confusion; or merely upon the comparison of the two names in the minds of the majority without reference to public confusion, I must dissent from their finding on whichever basis the finding of similarity is made.

Finally, even if I did not have the foregoing difficulty with the majority's findings of public confusion and secondary meaning, I would nevertheless have to take this occasion to question seriously the wisdom of the sanction imposed by the majority in this case which, in effect, absolutely prohibits North American Airlines from using the name "American" in any way in its business name. The effect of this prohibition, or course, is to nullify the efforts which that carrier has made and the substantial sums of money which it has expended in building up public good will under that name. I have difficulty in minimizing these serious consequences by simply finding, as the majority does, that North American must be prepared to accept the reasonable consequences of its adoption of its name. Rather than insist on the absolute prohibition against continued use of its name, it would seem reasonable to me that American would be amply protected if North American were required to make more clear in its advertisements and contact with the public that it is not to be confused with American Airlines. This could be done, it seems to me, in any one of several ways, but regardless of the method used, North American would be enabled to capitalize upon the good will which it has engendered since 1951 under its corporate name.[6]

(s) JOSEPH P. ADAMS.

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[6] Support for this type of relief rather than that decided upon by the majority is found in several cases including *Singer Manufacturing Company* v. *Bent* 163 U. S. 205, and *French Republic* v. *Saratoga Vichy Company*, 191 U. S. 427.

Appendix
[to Board's Decision]

Excerpts From the Initial Decision of Walter W. Bryan, Examiner in the North American Airlines, Inc., case Docket Nos. 5774 and 5928

This proceeding arises as the result of the Board's order serial No. E-7107, dated January 28, 1953, in which it is ordered that an investigation be instituted to determine whether North American Airlines, Inc., formerly Twentieth Century Air Lines, Inc., in engaging in air transportation under the name of North American Airlines, Inc., North American Airlines, or North American, has been and is engaging in activities and practices in violation of section 411 of the Act, and if any such violation is established, whether the Board should issue an order directing North American to cease and desist from such violations.

It is indicated in the record that on March 11, 1952, Twentieth Century Air Lines, Inc. (Twentieth Century) advised the Board that the corporate name of Twentieth Century had been changed to North American Airlines, Inc., (North American) effective March 3, 1952, and it requested the Board to change its records accordingly and reissue its letter of registration in the new name.

On August 19, 1952, the Board adopted an amendment No. 7 to Part 291 of its Economic Regulations, effective September 23, 1952. The above amendment added a new section, 291.28, *Business Name of Air Carrier*, which provided:

> "On and after November 15, 1952, it shall be an express condition upon the operating authority granted by this Part and the letters of registration issued hereunder that the air carrier concerned, in holding out to the public and in performing air transportation services shall do so only in a name the use of which is authorized under the provisions of this section.

(a) Except as otherwise provided under paragraph (b) of this section, an air carrier may do business in the name in which its letter of registration is then issued and outstanding, including abbreviations, contractions, initial letters, or other minor variations of such name which are readily identifiable therewith.

(b) An air carrier may do business in such other and different name or names as the Board may by order permit, upon a finding that the use of such other name or names is not contrary to the public interest. Any such permission may be made conditional upon the abandonment of the use of the name in which its letter of registration is issued and outstanding, in air transportation service by the air carrier concerned, or otherwise be made subject to such reasonable terms and conditions as the Board may find necessary to protect the public interest."

On October 6, 1952, North American timely filed an application under the above regulation for authority to conduct its operations under the name North American Airlines, Inc., in lieu of Twentieth Century Air Lines, Inc. Upon consideration of this application the Board determined to institute the above described investigation and by its order consolidated the above application, Docket No. 5774, with the investigation proceeding, Docket No. 5928, for hearing and decision.

American Airlines, Inc., (American) was permitted to intervene and participated in the proceeding. A hearing has been held and all parties given an opportunity to file briefs with the Examiner.

Issues.—The issue involved here is whether North American has been or is engaged in unfair or deceptive practices, or unfair methods of competition in air transportation, within the meaning of section 411 of the Act, by the use of the name North American Airlines, Inc., North American

Airlines, or North American, and if any violation is established whether North American should be ordered to cease and desist therefrom; also whether the granting of the request in North American's application for leave to change its name to North American Airlines, Inc., would be contrary to the public interest.

Twentieth Century Airlines, Inc., was incorporated in North Carolina on May 4, 1946, and holds a letter of registration as a large irregular air carrier. On March 3, 1952, the above carrier amended its articles of incorporation so as to change its name to North American Airlines, Inc. Since on or about April 21, 1951, the above carrier has engaged in the air transportation of persons between, among other points, New York, Chicago, and Los Angeles, under the trade name of North American Airlines.

American Airlines, Inc., (American) the intervener in this proceeding, was incorporated in Delaware on April 11, 1934, succeeding American Airways, Inc., which was incorporated under the laws of Delaware on January 25, 1930. American has continuously engaged in air transportation of persons, property, and mail since the above dates and has operated between, among other places, New York, Chicago, and Los Angeles as a scheduled air carrier.

American registered on July 27, 1948, the name "American Airlines" under the Federal Trademark Act, 15 U.S.C. 1051 et seq., on the Principal Register (No. 514294) of the United States Patent Office as a service mark used in connection with the furnishing of air transportation.

Since 1934 American has concentrated in its advertising [on] the names "American" and "American Airlines" with the purpose of creating in the public mind an identity between the name American and its air transportation service. There were introduced in evidence samples of such advertising as ["American's Leading Airline"], ["Better by Air—Best by American"], "American to Detroit—the Most Frequent Service," "American to

Washington $98 via DC-6 Airtourist Service," "American to New York 11 Nonstop Flagships," and "American's Convairs Are Coming."

The above type of advertising has appeared weekly on 251 billboards and in 142 newspapers throughout the country with a combined circulation of approximately 28,000,000. American has spent in excess of $2,250,000 for the above type of advertising since 1949.

American has also advertised extensively in magazines and during the period between 1948 and 1952 it spent approximately $3,800,000 for such advertising. It also advertises in the various cities served by American by means of display signs appearing at airports and in other public places. In 1940 American produced a sales movie entitled "The American Way," which has been shown to groups throughout the country, depicting its service and the comfort, speed and convenience of air travel. American is currently spending on newspaper and billboard advertising approximately $600,000 annually.

An officer of American in testifying stated that in his opinion the extensive advertising of American service as being the leading airline in American air commerce had been accepted by the traveling public. He further stated that much of American's advertising is devoted to identifying American with a certain route structure and with a certain type of superior equipment.

The direct evidence of record consists of testimony of witnesses who, for the most part, are employed by American as ticket and reservation agents located at Los Angeles, Burbank, Chicago, and New York. There were also affidavits and written statements from ticket and reservation agents received in evidence for the purpose of establishing whether the names "American" or "American Airlines" and "North American" or "North American Airlines" are confusing to the traveling public.

The above evidence generally involved numerous inquiries on the part of the public made to American employees concerning service, rates, routes, and schedules of North American under the mistaken impression that North American and American were one and the same airline.

An officer of American testified that he had received from employees under his supervision numerous inquiries indicating confusion between American Airlines and North American Airlines, and that * * * his office had received a telephone call from a representative of a trade union, complaining that an American sign was being painted by non-union painters, and upon investigation it was found that the sign was that of North American. There were instances of air passengers holding North American tickets attempting to check in for North American flights at American ticket counters—in fact, at the Burbank office this was a daily occurrence—and many of the passengers were still confused after an explanation had been made that American and North American were two different airlines. There were instances where North American passengers attempted to claim their baggage at the American counter; also other instances where prospective passengers insisted they were entitled to a discount for transportation on American because they held a "Buyers League Script Book." Upon an investigation by the passengers making the inquiries, it was learned that it was North American instead of American which offered a discount.

There were other instances of persons meeting incoming North American passengers who made inquiries at the American ticket counter at Burbank to determine time of arrival. Other inquiries were made of American agents at Los Angeles concerning an $80 fare from Los Angeles to New York, which the persons had heard advertised on television, and upon investigation it was found that it was North American they were referring to and not American. One witness testified that she had heard people state that

they were under the impression that North American and American were the same or affiliated companies. Another witness for American testified that one person insisted that American flew from New York to Miami because she had heard a radio program to that effect, whereas the program in question was that of North American. There were instances where mail addressed to North American was delivered to American Airlines' office. Tradesmen have dunned American for bills owed by North American and hotels have requested American's advice as to billing for hotel charges incurred by North American crews. A witness for American stated that at its Burbank office the president of North American, who is on duty at the North American ticket counter at Lockheed air terminal, informed her that many persons would stop at his counter and request tickets to Dallas, Oklahoma City, or Tulsa, points which North American did not serve, and he would realize that the passengers were confused and that they were under the impression it was American's ticket counter. The president further stated to the witness that if the passengers were destined to New York or Chicago he would do everything he could to "steal" them.

There were many other instances similar to those referred to above that need not be repeated here. In general, they indicate that certain confusion exists on the part of the public in distinguishing the services of the two airlines in question.

The witnesses who appeared and testified on behalf of North American were ticket agents from Burbank and Washington, D. C. Their testimony was to the effect that they had not experienced any great degree of confusion on the part of the public involving the similarity of names between American and North American. The agent at Burbank stated it was a common occurrence at his counter for persons to inquire about the services of other carriers such as United and particularly the services of North Star —in fact, the witness had noticed a certain amount of confusion existing on the part of the public between North

American and North Star. Another witness for North American stated that his experience had been that the majority of customers made inquiries concerning destinations of the various carriers and were not particularly confused about the similarity of names of the carriers.

Discussion.—Section 411 of the Civil Aeronautics Act empowers the Board to determine whether any air carrier or ticket agent has been engaged or is engaging in unfair or deceptive practices, or unfair methods of competition in air transportation or the sale thereof, and if such is found to exist the Board is empowered to order discontinuance of such practices.

* * * one must look for guidance to the decisions of the courts in their application of unfair trade practices as set forth under section 5 of the Federal Trade Commission Act, * * * The Federal Trade Commission has been given the jurisdiction by statute over unfair competition in the common law sense of the term and also under the statutory language as defined "any unfair method of competition or unfair or deceptive *act* or practice in commerce." It is noted that the word "act" in the Federal Trade Commission Act has been omitted in section 411 of the Civil Aeronautics Act.

The courts have said that the unfair trade practice law is for the protection of the public and not for the experts but rather for "the vast multitude which includes the ignorant, the unthinking, and the credulous, who in making purchases do not stop to analyze but are governed by appearance and general impressions."[1]

The most common form of unfair competition is the imitation of a trade name, trade symbol, or device by a competitor. This may be a family name or the name of a corporation, labels, or deceptive packaging. * * *

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[1] See *Florence Mfg. Co. v. J. C. Dowd & Co.*, 178 F. 73; *Stork Restaurant, Inc., v. Sahati et al.*, 166 F. 2d 348

In the case of *Hudson Tire Co., Inc. v. Hudson Tire and Rubber Corporation et al.*, 276 F. 59, the court stated that the word "Hudson" as applied to tires had obtained a secondary meaning, referring to plaintiff's merchandise, and the fact that defendant had secured its corporate name from the State of New York did not authorize it to use the name "Hudson" in connection with such merchandise.

The courts have likewise held that in looking for a secondary meaning in a trade-mark, it is controlled by the fact that such a meaning has been acquired in the minds of the public rather than by the time it has taken for that fact to be established.[4]

Another case in point is that of *American Products Co. v. American Products Co.*, 42 F. 2d 488. It is noted that one of the above companies was a Delaware corporation and the other one a Michigan corporation. The court said, in part:

> "Assuming, for the purposes of this opinion, that the name 'American Products Company' should be regarded as a geographical name indicating products made in America, rather than a somewhat fanciful name not intended to denote the place of manufacture of such products, it is well settled that when a person has adopted, as the name of a business, a term originally geographical, and, by his efforts and expenditures, has developed a reputation and good will for such business and its products, so that such name has come to mean, in the minds of the general public, that particular business and its products, such name thereby acquires a secondary meaning, as indicating such business, and its owner is entitled to protection, in its use, by a court of equity."

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[4] *Barton et al. v. Rexall Co., Inc.*, 2 F. 2d 402.

In the case of *American Radio Stores, Inc. v. American Radio and Television Stores Corp.*, 150 A 180, the court stated:

> "Those words (radio and stores) are purely descriptive and, when used by the complainant, have attached to them no meaning of a secondary nature. But when the word "American" is used in conjunction with them, a distinguishing mark is introduced and the complainant is entitled to be protected in its use of that distinctive feature of its name."

In the case of *Delaware L. & W. R. Co. v. Lackawanna Motor Freight Lines*, 175 Atl. 905, the court held that the rights of the plaintiff were based on a secondary meaning acquired by its use in the transportation business, and its use by defendant was a device to deceive the public, although the court held that fraudulent intent need not necessarily be shown to invoke the aid of the court.

Another case in point is *American Thread Co. v. North American Thread Co., Inc.*, 33 F. Supp. 616, where the court held that a newcomer operating under a similar name to a company already in the business was an act of unfair competition.

Another pertinent case is that of *Womble v. Parker*, 67 S. E. 2d 133, which involved a newcomer into a business wherein it attempted to advertise its products under a trade name similar to one already in use by its long-established competitor. The court said, in part.[5]

> "While geographical names and words which are merely descriptive are not generally the subject of exclusive appropriation as trade-marks or trade names,

[5] Other cases in point are: *Phillips* v. *The Governor & Co. of Adventures of England trading into Hudson Bay*, 79 F. 2d 971; *Lincoln Motor Co. et al. v. Lincoln Automobile Co.*, 44 F. 2d 812; *Finchley, Inc. vs. Finchley Co., Inc.*, 40 F. 2d 736; *Western Auto Supply Co. v. Knox*, 93 F. 2d 850.

such names and words when used so long and exclusively by a trader, manufacturer or producer that they are generally understood to designate his business or merchandise, may acquire a secondary signification or meaning indicative not only of the place of manufacture, but of the name of the manufacturer or producer, or of the character of the product, so that the name or title thus employed, including the geographical name and descriptive words, may be the subject of protection against unfair competition in trade, and authorize equity to enjoin a newcomer competitor from the appropriation and use of a trade name or trade-mark bearing such resemblances to those of the pioneer as to be likely to produce uncertainty and confusion, and to pass off the goods or business of one as those of another."

It is clear from the foregoing that a geographical term used in a business name may acquire a secondary meaning by actual use and upon which the owner may create goodwill in its business relationship with the public. Thus such a name becomes a valuable asset and a business advantage. Therefore, in such instances the trade name becomes of a pecuniary value or a property right, and the courts have consistently held that such rights are entitled to the protection afforded by the courts.

There can be no dispute that American Airlines is the prior user of the name "American" as between it and North American, as American has used the above name since 1934 and its predecessor used the name prior to that time, whereas North American has used its name only since April 1951. American has consistently over the years promoted the use of the term "American" in its advertising and public relation work. • • •

Upon consideration of all the facts, and in view of the court decisions pertaining thereto, it is concluded that the name "American" and "American Airlines" used in

connection with air transportation has acquired a secondary meaning as identifying American Airlines, Inc.

* * * * * * * *

One of the important factors in a case of this kind arising under section 411 is whether the public is being deceived or confused and thus affecting the public interest in air transportation. The court stated in the case of *Anheuser-Busch, Inc. v. Budweiser Malt Products Corporation*, 287 F. 243, that the fundamental question in cases of trade-marks or unfair competition is whether the public is being misled and deceived so that the defendant is in effect taking advantage of the good-will and business reputation of another who has built it up through service or advertising.[8]

There are numerous examples in the record indicating confusion between American and North American Airlines on the part of the public. * * *

The type of inquiries indicating confusion involved in this proceeding, which have heretofore been discussed, is typical of those occurring to the average member of the public. Naturally, such inquiries were not made by persons who are frequent travelers by air or well informed on aviation matters but rather the uninformed, and it is the interests of the uninformed that the Board is equired to protect from confusion because of similarity of names.

* * * The courts have consistently held that in cases involving violation of trade-marks the right of injunction depends not on the fact that the purchaser has been deceived but rather on the fact that the public may be deceived if such acts of confusion are permitted to continue. The proof that confusion has already existed adds to the likelihood of continued deception.[10]

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[8] See *United Drug Company* v. *Theodore Rectanus*, 248 U. S. 90.

[10] *J. C. Penney Co. v. H. D. Lee Mercantile Co.*, 120 F. 2d 949; *Ralston Purina Co. v. Saniwax Paper Co. et al.*, 26 F. 2d 941; *Wisconsin Electric Co. v. Dumore Co.*, 35 F. 2d 555; *Henry Muhs Co. v.*

There is no question but what American has acquired during the past 20 years through its constant efforts a good-will in its use of the name "American" or "American Airlines," which has become a valuable asset to be protected. However, an action for infringement of America's trade name can find its remedy in the courts. Section 411 was not designed for the purpose of protecting the private rights of an individual carrier except to the extent of a regulating competition between the various air carriers to assure fair competition and thereby maintain a sound economic transportation system; also, equally important, the Board was given the responsibility of safeguarding the public interest against unfair and deceptive methods of competition.

North American is a newcomer in the field of air transportation as compared to American's operations, and it should have known that the similarity of names between North American and American would have the capacity to confuse the public as to the true identity of the carriers. There are numerous instances of record where the public has been confused and inconvenienced by this similarity of names. • • •

The task would not have been a difficult one for North American to have adopted another trade name which was different from the names of other air carriers in operation and thereby avoid the tendency on the part of the public to mistake one carrier for the other.

In view of the public confusion which has arisen and may increase in the future as air transportation becomes a more accepted mode of travel, and the services rendered by the carriers become more alike as well as the aircraft itself, it

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Farm Craft Foods, Inc., et al., 37 F. Supp. 1913; *United Drug Co. v. Obear-Nester Glass Co.*, 111 F. 2d 997; *Pep Boys—Manny, Moe & Jack, Inc. v. Federal Trade Commission*, 122 F. 2d 158. *American Home Benefit Assn., Inc. v. United American Benefit Assn., Inc.*, 125 P. 2d 1010; *United Lace & Braid Mfg. Co. v. Barthels Mfg. Co.*, 221 F. 456.

is in the public interest that the identity of the carrier be readily distinguishable by the public. Therefore, the continued use of the name "North American" by Twentieth Century is so similar to the trade name "American" a used by American Airlines, Inc., as to constitute an unfair and deceptive practice as well as an unfair method of competition, and it is so found.

• • • • • • • • • •

Order No. E-7870

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
Washington, D. C.

Adopted by the Civil Aeronautics Board at its Office in Washington, D. C., on the 4th day of November, 1953

Docket No. 5774

In the Matter of the Application of NORTH AMERICAN AIRLINES, INC., for Authority to Conduct its Operations under the Name of North American Airlines, Inc.

Docket No. 5928

In the Matter of an Investigation Pursuant to Section 411 of the Act of Certain Practices of NORTH AMERICAN AIRLINES, INC.

ORDER

A full public hearing having been held in the above-entitled proceedings and the Board, upon consideration of the record, having issued its opinion containing its findings, conclusions and decision, which is attached hereto and made a part hereof;

It is ordered:

1. That the application of North American Airlines, Inc., for authority to engage in air transportation under the name North American Airlines, Inc., be and it hereby is denied;

2. That on and after the 90th day after the date of adoption of this order, North American Airlines, Inc., and its successors, assignees, representatives, agents, officers and

employees be and hereby are ordered to cease and desist from engaging in air transportation under the names North American Airlines, Inc., North American Airlines, North American, or any other name which includes the word American.

By the Civil Aeronautics Board:

(S.) M. C. MULLIGAN,
Secretary.

[SEAL.]

CIVIL AERONAUTICS BOARD
WASHINGTON, D.C.

In the Matter of:

Docket No. 5774

Application of NORTH AMERICAN AIRLINES, INC., for authority to conduct its operations under the name of North American Airlines, Inc.

Docket No. 5928

Investigation pursuant to Section 411 of the Act of certain practices of North American Airlines, Inc.

EXCEPTIONS TO THE INITIAL DECISION, OF EXAMINER WALTER W. BRYAN

Communications with respect to this document should be sent to:

HARDY K. MACLAY
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1317 F Street, N. W.
Washington, D. C.
Attorneys for
North American Airlines, Inc.

July 20, 1953

(5) It is stated in Examiner Bryan's Initial Decision on page 5:

> "The above evidence generally involved numerous inquiries on the part of the public made to American employees concerning service, rates, routes, and schedules of North American under the mistaken impression that North American and American were one and the same airline."

On page 7 of his Initial Decision he states:

> "There were many other instances similar to those referred to above that need not be repeated here. In general, they indicate that certain confusion exists on the part of the public in distinguishing the services of the two airlines in question."

On page 13 of his Initial Decision he states:

> "There are numerous examples in the record indicating confusion between American and North American Airlines on the part of the public. A number of witnesses who were ticket or reservation agents for American testified that they had received numerous inquiries from the public, *indicating to them* that confusion existed in the minds of the persons making the inquiries." (Emphasis added).

On pages 16 through 17 of his Initial Decision:

> "North American is a newcomer in the field of air transportation as compared to American's operations, and it should have known that the similarity of names between North American and American would have the capacity to confuse the public as to the true identity of the carriers. There are numerous instances of record where the public has been confused and inconvenienced by this similarity of names . . . .
>
> "The task would not have been a difficult one for North American to have adopted another trade name which was different from the names of other air carriers in operation and thereby avoid the tendency on the part of the public to mistake one carrier for the other.

"In view of the public confusion which has arisen and may increase in the future as air transportation becomes a more accepted mode of travel, and the services rendered by the carriers become more alike as well as the aircraft itself, it is in the public interest that the identity of the carrier be readily distinguishable by the public. Therefore, the continued use of the name 'North American' by Twentieth Century is so similar to the trade name 'American' as used by American Airlines, Inc., as to constitute an unfair and deceptive practice as well as an unfair method of competition, and it is so found.

"In order further to protect the public interest against such unfair methods of competition it is found that a cease and desist order should be issued by the Board against the use of the name 'North American' by Twentieth Century in the manner hereinafter set forth.

"Findings.—In view of the foregoing and in consideration of all the facts of record, it is found:

"1. That the use of the name 'North American Airlines, Inc.,' 'North American Airlines,' 'North American,' or any combination of the word 'American' by Twentieth Century Airlines, Inc., constitutes an unfair or deceptive practice and an unfair method of competition within the meaning of section 411 of the Act.

"2. That the public interest requires that the application of Twentieth Century Airlines, Inc., Docket No. 5774, for authority to engage in air transportation under the name North American Airlines, Inc., be denied.

"3. That a cease and desist order be issued against Twentieth Century Airlines, Inc., its successors, assignees, representatives, agents, officers, and employees, to cease and desist doing business in air transportation under the name North American Airlines, Inc., or any variation of the name 'American.'"

Since the only actual difference between these four statements is that one appears on page 5 and the others appear on pages 7, 13 and 16 through 17, respectively, North American hereby excepts to the above-described state-

ments, findings or conclusions quoted in this paragraph (5). These above-stated quotations insofar as they purport to be findings of fact are entirely unsupported by any evidence, and insofar as they purport to be conclusions of law they are again unsupported by any evidence and are erroneous. They simply assume facts not of record, the assumption being that there is a confusing similarity between the two names. The substantial evidence which is analyzed and more adequately stated in North American's Brief to the Examiner beginning at page 26 can only support a contrary conclusion:

> "Testimony by the American Airlines agents disclosed that what was stated as fact was largely an assumption of fact. North American was often not mentioned by the caller when conversing with the American Airlines agent. If the agent had not testified to this fact, however, a reading of the *ex parte* statement unaccompanied by other facts would lead one to believe that the caller had mentioned North American and was apparently confused. Tr. 148, Exhibit No. AA-4, page 33; Tr. 155, 159-160, 161, Exhibit No. AA-4, page 18; Tr. 173-174, Exhibit No. AA-4 page 30. The agents based their conclusions, often stated as fact, upon several grounds—none of them a rational basis for deciding that the purchasing public was confused by any similarity in the corporate names. One basis was faulty, incorrect and incomplete knowledge of the facts on the part of the American Airlines agent whereby the agent would assume that the caller was referring to North American because the agent thought that North American was the only airline that had a particular plan, Tr. 143-148, 159-160, fare, Tr. 173-174, telephone exchange, Tr. 150, or office in a particular location, Tr. 148-194. All of these assumptions were incorrect, other air carriers having the plan, Tr. 295, 296-297, or fare, Tr. 294-347, and offices in the particular area, Tr. 302-303. The agents, without more competent facts than they had, could not possibly determine whether the inquirer meant North American.

"Another reason for assumptions of confusion by American Airlines' agents was that they knew that American Airlines did not give service to a particular point, or use a particular airport, but North American did give that service, or use that airport. Tr. 175, 198, 208-210. Therefore, the agents would conclude, since North American has 'American' in its name the people were referring to North American; in these cases as in others North American not even being mentioned by the inquirer. Tr. 175, 198, 208-211. These facts could not always be ascertained on the face of the *exparte* statements, however.

"Other reasons for concluding that persons were inquiring about North American were because someone would call American Airlines inquiring about non-scheduled airlines and the American Airlines agent would not bother to ascertain what specific non-scheduled carrier was desired, but instead infer that it was North American. Tr. 220.

"Still other reasons for the agent's assumption that the individual was confused was not confusion due to similarity of corporate names, but a simple wrong number. Tr. 219; Exhibit No. AA-5, page 11. However, because both applicant and intervenor have a word common to each—'American'—the agent immediately assumed confusion; again *when North American was not mentioned.* Tr. 219."

For a more detailed discussion of the evidence in this proceeding see North American's exception number (6), the discussion of which is hereby incorporated herein by reference.

In *S. C. Johnson & Son* v. *Johnson*, 28 F. Supp. 744 (W.D. N.Y., 1939), at 749, the Court said there was "considerable *testimony* which had been offered by the plaintiff purporting to show *inquiries* made by prospective purchasers . . . it is competent as showing the state of mind of the prospective purchaser." (Emphasis added). Likewise, Nims indicates that agents or employees "may *testify* . . . to the state of mind of prospective purchasers

as revealed through orders and inquiries." (Emphasis added). 2 Nims, *Unfair Competition and Trademarks*, (4th ed. 1947) § 335. These authorities restrict the rule to only those cases where the agent actually testifies, and where the agent only testifies as to *facts* of which he has personal knowledge—the inquiries and orders themselves.

Non-expert opinion by the American Airlines' agents as to whether these inquiries tended to show confusion is not a basis to support a decision. *N.L.R.B.* v. *Bell Oil & Gas Co.*, 98 F. 2d 406 (5th Cir. 1938); *In the Matter of Radio Enterprises*, 7 F.C.C. 169 (1939); *In the Matter of Wright*, 3 S.E.C. 190 (1938).

(6) Examiner Bryan, in his Initial Decision, made the following statements, findings or conclusions on pages 5 and 6:

> "An officer of American testified that he had received from employees under his supervision numerous inquiries indicating confusion between American Airlines and North American Airlines, and that his office had received numerous requests for collect telephone calls from people who were attempting to contact North American." (p. 5)
>
> • • • • •
>
> ". . . There were instances of air passengers holding North American tickets attempting to check in for North American flights at American ticket counters—in fact, at the Burkbank office this was a daily occurrence—and many of the passengers were still confused after an explanation had been made that American and North American were two different airlines. There were instances where North American passengers attempted to claim their baggage at the American counter; also other instances where prospective passengers insisted they were entitled to a discount for transportation on American because they held a 'Buyers League Scrip Book.' Upon an investigation by the passengers making the inquiries, it was learned that it was North American instead of American which offered a discount.

"There were other instances of persons meeting incoming North American passengers who made inquiries at the American ticket counter at Burbank to determine time of arrival. Other inquiries were made of American agents at Los Angeles concerning an $80 fare from Los Angeles to New York, which the persons had heard advertised on television, and upon investigation it was found that it was North American they were referring to and not American." (p. 6)

* * * * * *

"Another witness for American testified that one person insisted that American flew from New York to Miami because she had heard a radio program to that effect, whereas the program in question was that of North American. There were instances where mail addressed to North American was delivered to American Airlines' office." (p. 6)

North American hereby excepts to these above-described statements, findings or conclusions which are insufficient to support a finding that North American by the use of its name is violating Section 411 of the Act and are unsupported by the testimony and other evidence presented during the hearing. Such statements obviously were made without any reasonable study of the facts by the Examiner. Argument bearing on this matter is adequately presented in North American's Brief to the Examiner, beginning at page 11:

[The remainder of Exception 6 (Tr. 856-864) consists of excerpts from respondent's brief to the Examiner (Tr. 776-789) and deals only with the question of the adequacy of the evidence to support a finding of fact that the similarity between the names North American Airlines and American Airlines had caused the public to confuse the identity of the two carriers.]

* * * * * *

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1956

AMERICAN AIRLINES, INC., *Petitioner,*

v.

NORTH AMERICAN AIRLINES, INC., *Respondent.*

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

REPLY BRIEF OF PETITIONER

HOWARD C. WESTWOOD
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Of Counsel

January 23, 1957

IN THE

Supreme Court of the United States

OCTOBER TERM, 1956

No. 635

AMERICAN AIRLINES, INC., *Petitioner,*

v.

NORTH AMERICAN AIRLINES, INC., *Respondent*

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

REPLY BRIEF OF PETITIONER

I.

THE RESPONDENT'S OPPOSITION ON THE FIRST QUESTION PRESENTED.

The respondent admits that it never raised objection to the scope of the remedy ordered by the Board. (Br. in Opp. p. 2) Hence this Court need not examine the documents recording the several steps in the Board's proceedings and in the proceedings in the lower court to which the Petition refers in some detail

and which show respondent's repeated failure to object on the numerous occasions when it had the opportunity to do so.

The respondent seeks to explain away the patent conflict between the lower court's decision and this Court's decision in *Federal Power Commission* v. *Colorado Interstate Gas Co.*, 340 U. S. 492 (1955). (Br. in Opp. pp. 6-7) It points out that the *Colorado* case arose under the Natural Gas Act, that that Act requires that a party seeking judicial review shall have stated his objections in a petition for rehearing to the administrative agency, and that the Civil Aeronautics Act does not require the filing of a petition for rehearing. And then respondent says that there is no question but that the Board's order in the present case "was a final order." The respondent concludes that the *Colorado* case "is just not applicable." (Br. in Opp. p. 7)

But the *Colorado* case was not decided on the ground that the order in question was not a final order. In that case there had been a petition for rehearing and the order was final. The point of the case was that the petition for rehearing had not set forth the objection which was considered by the reviewing Court of Appeals.

In the present case, under the Civil Aeronautics Act the reviewing court could consider any objection presented to the administrative agency at any appropriate time under the agency's procedure—not just in a petition for rehearing. But, despite the abundant opportunity to raise and so to preserve objection, the respondent failed to avail itself of the privilege. Hence the objection here could no more be considered by the reviewing court than could the objection in the *Colorado*

case. Indeed, in view of the broader opportunity to raise and preserve objections for judicial review which the Civil Aeronautics Act confers, there is *much less* excuse, under that Act, for permitting a reviewing court to consider new objections than there might have been under the statute involved in the *Colorado* case.

Next the respondent argues that the question of the scope of the Board's order was in fact considered by the Board, and therefore is open to judicial review. (Br. in Opp. pp. 7-9) It is true, of course, that the scope of the order was considered by the Board, and that the dissenting Board member objected that the use of the name "North American" should not be proscribed but its continued use should be permitted with the requirement that the respondent "make more clear in its advertisements and contact with the public that it is not to be confused with American Airlines." (Pet., p. 21a)

But this point in the dissent is *not* the objection raised and considered by the lower court. The lower court raises a wholly *new* objection to a wholly *different* aspect of the scope of the order involving an altogether *separate* set of considerations of fact, policy, and law. (Pet. pp. 18-19) The objection to the scope of the order raised *sua sponte* by the lower court was never—in the words of the applicable statute—"urged before the Board" and the reviewing court is expressly prohibited from considering it. Quite aside from the fact that the objection made by the dissenting Board member was never urged by the respondent, it would vitiate the doctrine of the *Colorado* and similar cases to permit a reviewing court to consider any conceivable new objection whenever one objection had been urged to the agency. Indeed, *Colorado* was just such a case and

this Court refused to allow the reviewing court to range so widely.

Finally the respondent relies on certain cases which, it argues, make it clear that the lower court had power to modify the Board's order. (Br. in Opp. p. 8). The cases are wide of the mark:

Hormel v. *Helvering,* 312 U. S. 552 (1941), decided that under a statute granting the reviewing court the power to reverse a decision of the Board of Tax Appeals "as justice may require" it is proper for the court to hold a taxpayer taxable under a section of the law not relied upon by the Commissioner before the Board of Tax Appeals in view of the fact that the applicability of that section had been determined by the Supreme Court in another case *after* the case in question had been decided by the Board of Tax Appeals. The case involved no statute limiting judicial review such as is involved in the present case; moreover the opinion recognized that the usual rule is that the reviewing court must not go beyond the case made before the subordinate tribunal and that the circumstances there were unusual.

Mulligan v. *Andrews,* 93 U. S. App. D. C. 375, 211 F.2d 28 (1954), involved only the familiar rule that an appellate court, to avoid miscarriage of justice, will entertain an objection not raised before a trial court — a rule not infrequently applied in cases involving, as did the *Mulligan* case, personal rights and liberties and dealing only with the relations of appellate to lower courts and not with the relations of courts to administrative agencies.

Phillips v. *Securities and Exchange Commission,* 156 F.2d 606 (2d Cir. 1946), by dictum, rather doubt-

fully approved a stockholder's raising in a reviewing court an objection to a simplification order affecting the stockholder's corporation under the Holding Company Act which in fact had been fully considered by the administrative agency; the stockholder had not appeared in the agency proceeding but his own corporation, of course, had appeared and fully litigated the same issue there.

And in *W. R. Grace & Co.* v. *Civil Aeronautics Board,* 154 F.2d 271, 286 (2d Cir. 1946), the only question was whether the petitioner for judicial review had raised before the agency the objection considered by the reviewing court—and the court held that it had been so raised. Indeed, the court was at some pains to make it clear that it was not acting *sua sponte.*

II.

THE RESPONDENT'S OPPOSITION ON THE SECOND QUESTION PRESENTED.

The respondent argues that the lower court's decision applies an alleged rule of this Court in *Jacob Siegel Co.* v. *Federal Trade Commission,* 327 U. S. 608 (1946), to the effect that an "established trademark or trade name" should not be excised if a less drastic remedy would suffice. (Br. in Opp. 9-10).

We need note only three points.

First, the present case involves no "established trademark or trade name" of the respondent. The case now involves only the respondent's new name Trans American (or other variations of the word American). But this is not the name in which good will had been "established" by the respondent—*i.e.,*

North American. So the basic premise of the *Siegel* case is lacking here.

Second, the *Siegel* case held only that the administrative agency should *consider* whether the less drastic remedy of using qualifying words instead of excising the established name would protect the public. From the respondent's own brief it will be seen that that very question was considered by the Board in the present case and was one of the points on which the dissenter divided from his brethren. In these circumstances the lesson of the *Siegel* case here pertinent is that

> "The Commission is the expert body to determine what remedy is necessary to eliminate the unfair or deceptive trade practices which have been disclosed. It has wide latitude for judgment and the courts will not interfere except where the remedy selected has no reasonable relation to the unlawful practices found to exist." 327 U. S. at 612-613.

Third, the lower court did not apply the principle of the *Siegel* case at all. Its objection was not that the Board had not considered alternatives but that the Board was absolutely precluded from adopting the particular remedy it chose absent evidence sustaining a finding of secondary meaning in the private law sense. As the Petition shows, this holding is not only unprecedented but squarely contrary to a long line of precedents. (Pet. pp. 20 ff.)

* * *

The respondent observes that the Government has not petitioned. (Br. in Opp. p. 6) But neither did it when this case was here before. It will be recalled that,

unlike Section 5 of the Federal Trade Commission Act, Section 411 of the Civil Aeronautics Act recognizes the interest of a private party as a complainant. The petitioner was a very active complainant and participant throughout these proceedings. As the courts have noted more than once, one of the important developments in administrative law is that the public interest often is vindicated upon the initiative of private parties. It is *argumentum ad hominem* to rely upon the identity of the petitioner.

Respectfully submitted,

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January 23, 1957

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IN THE

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OCTOBER TERM, 1957

AMERICAN AIRLINES, INC., *Petitioner,*

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CIVIL AERONAUTICS BOARD

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

RESPONSE OF PETITIONER TO MEMORANDUM FOR THE CIVIL AERONAUTICS BOARD RESPECTING POSSIBLE MOOTNESS

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1957

No. 55

AMERICAN AIRLINES, INC., *Petitioner*,

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RESPONSE OF PETITIONER TO MEMORANDUM FOR THE CIVIL AERONAUTICS BOARD RESPECTING POSSIBLE MOOTNESS

I. ***The Case Is Not Moot.***

We agree with the position of the Government, as expressed in its memorandum of August 25, 1957, that this case is not moot. (Memorandum, pp. 5-8). In this connection, we think it significant that, so far as we have been able to determine, respondent has neither dissolved its corporate structure nor has it abandoned its claim to use of the word "American" in its trade name. It is also noteworthy that subsequent to this Court's prior decision in this same case, wherein it upheld the authority of the Civil

Aeronautics Board to bar respondent's use of the "North American" name, respondent switched its trade name from "North American" to "Trans American"—despite the fact that respondent had never previously used that name and the fact that the Board's order ran against that name as well as against "North American". Even today respondent remains an applicant under various Board dockets, including Nos. 7869 and 7977, for authorization to operate as a common carrier.

These elements, and the facts cited by the Government in its memorandum, show that the instant case is not moot. There is a distinct possibility of resumption of the name "Trans American" by respondent. *United States* v. *Aluminum Co. of America*, 148 F.2d 416, 448 (2d Cir. 1945). Respondent has retained its corporate entity. See *Walling* v. *Mutual Wholesale Food & Supply Co.*, 141 F.2d 331, 334 (8th Cir. 1944). Respondent's applications for renewed common carrier authority are pending before the Board. Respondent's past conduct, in particular its shift to the "Trans American" name, affords no basis for any faith in respondent's future *bona fides*. See *United States* v. *W. T. Grant Co.*, 345 U.S. 629, 633 (1953). On the question of possible mootness it is also significant, as noted by the Government, that this is not a private law suit but a statutory proceeding initiated by an administrative agency for the protection of the public. (Memorandum, pp. 7-8).

However, in the event that the Court should consider the case moot, we concur in the position taken by the Government as to the proper disposition of the case. (Memorandum, pp. 8-9).

II. *The Issues Presented by the Petition for Certiorari Are Still Important.*

The issues now before this Court on certiorari have a broad interest and significance which in no way have been diminished by the fact that respondent, in response to another court order, has halted operations as a common carrier. There is accordingly no reason for the Court to vacate its previous grant of certiorari.

1. Prior to the decision below, it had been established that in reviewing agency action an appellate court must limit itself to the objections urged before the agency. This was true both in cases where no specific limitation was imposed upon the reviewing court by statute, *U. S.* v. *Tucker Truck Lines*, 344 U.S. 33, 36-37 (1952) and where such limitations were embodied, as here, in the controlling statute, *Federal Power Commission* v. *Colorado Interstate Gas Co.*, 348 U.S. 492, 498-499 (1955). In the instant case, the statutory language could hardly have been more unequivocal. Section 1006(e) of the Civil Aeronautics Act, 49 U.S.C. 646, provides:

> "No objection to an order of the [Civil Aeronautics] Board shall be considered by the [reviewing] court unless such objection shall have been urged before the Board or, if it was not so urged, unless there were reasonable grounds for failure to do so."

Ignoring this flat prohibition, the court below ruled *sua sponte* upon the scope of remedy ordered by the Board. It affirmed that part of the Board's order which prevented respondent from using the "North American" name but set aside the part of the order which would have prohibited respondent's use of other

names embodying the word "American", such as "Trans American"—a name which the respondent adopted after this Court had upheld the Board's authority to prohibit use of the North American name. But respondent had never objected to the scope of the remedy ordered by the Board; indeed, in its brief to this Court in opposition to the petition for certiorari, *respondent admitted that this was the fact.* (Br. in Opp., p. 2). In other words, the court below ruled on an issue which respondent had never advanced to the Board.

The essence of respondent's case is simply that use by respondent of other "American" names (besides "North American") had been before the Board because one Board member in his dissent had urged that respondent should not be denied the name "North American" but rather should be permitted to continue using it—subject to the condition that respondent make more clear in its advertisements and public contacts that it was "not to be confused with petitioner American Airlines". (Pet., p. 21a).

But this dissent, of course, related only to continued use of the "North American" name; it did not touch on respondent's possible use of other names embodying the word "American". The decision below thus raised a vital question: Can a reviewing court consider any conceivable new objection or objections to the agency remedy whenever another objection, no matter how unrelated its thrust, had been before the agency. We submit that the affirmative answer rendered by the court below would vitiate, in large measure, the salutary doctrine of the *Colorado*

Interstate line of cases. It would mean that:

> ". . . every litigant before administrative agencies who contemplates seeking review in the District of Columbia Circuit will be encouraged to keep an ace up its sleeve. For after losing all disputed points the litigant is given strong hope that it will still be able to keep litigation alive by modifying its conduct in some minor respect and then starting anew on questions going to the scope of the remedy. The administrative process, already sufficiently slow, cumbersome, and expensive, would be irreparably harmed by the piecemeal treatment of issues invited by the lower court here." (Pet., p. 20).

In any event, it is vital now as before—to litigants, agencies and the lower courts—to have this matter settled once and for all by this Court.

2. The decision below also confused the public's right to protection from statutory unfair practices with a private person's right to protection from private law unfair competition. In so doing, the court below not only ignored principles established by this Court and other Courts of Appeals but also injected serious confusion into still another important area of administrative law—the extent of agency discretion in shaping remedies to meet admitted law violations.

In its earlier decision in this case, this Court held that the Board's findings of confusion supported a cease and desist order. *American Airlines* v. *North American Airlines*, 351 U.S. 79 (1956). The case was remanded to the lower court for a determination as to whether these findings were supported by the evidence. The lower court held that they were so supported and hence concluded that the Board had properly ordered respondent to cease using the "North American" name.

But the lower court then went ahead—gratuitiously, we believe—and set aside that part of the Board's order which would have reached other variations of the word "American" in a trade name on the ground that there was insufficient evidence to support a finding that petitioner had acquired "secondary meaning" in the name "American". (Pet., p. 2a).

But, as the Board itself had held, the existence or nonexistence of "secondary meaning" has significance only in private suits involving private property rights. This is not such a case. It is a statutory proceeding, based on Section 411 of the Civil Aeronautics Act, a public protection section modeled on Section 5 of the Federal Trade Commission Act. And as this Court in its earlier decision made abundantly clear, the Board is concerned "not with punishment of wrongdoing or protection of injured competitors, but rather with protection of the public interest." 351 U.S. at 85. Thus, the only question before the court below—even if the question had been properly raised—was whether the Board could forestall continued public confusion by eliminating "what we find to be the cause of such confusion" (Pet., p. 12a)—*i.e.*, any use of the word "American" by respondent.

And in striking down the Board's order, the court below also violated previously-accepted principles on agency discretion—*i.e.*, an agency must be accorded "wide latitude for judgment"; the remedial order need only have a "reasonable relation to the unlawful practices found to exist", *Jacob Siegel Co.* v. *Federal Trade Commission*, 327 U.S. 608, 613, 614 (1946); an agency is "not limited to prohibiting the illegal practice in the precise form in which it

is found to have existed in the past," *Federal Trade Commission* v. *Ruberoid Co.*, 347 U.S. 470, 473 (1952). The decision also ran counter to the settled course of remedial orders issued by the Federal Trade Commission over three decades in disposing of trade name problems under the analogous Section 5 of the Trade Commission Act. See *e.g.*, *Galter* v. *Federal Trade Commission*, 86 F.2d 810 (7th Cir. 1951), *cert denied*, 342 U.S. 818 (1951); *Federal Trade Commission* v. *Real Products Corp.*, 90 F.2d 617 (2d Cir. 1937).

The decision takes on particular significance because of the growing importance of Section 411 in the air transportation field. This is a field where competition has intensified at a rapid pace in recent years through route extensions, proliferation of types of services, certification of new carriers (both freight and passenger), emergence of numerous freight forwarders and the activities of hundreds of travel agents. This tremendous growth has rendered extremely complex the task of informing the public of available air services with reasonable accuracy.

But the public cannot secure reliable information if the names of separate carriers are confusingly similar. The Board's primary tool for coping with this problem is Section 411. It is therefore increasingly important to determine whether this section is to be so construed as to give the Board sufficient power to protect the public or whether it is to be given a narrow and ineffective construction by the interpolation of private law doctrines as urged by

the court below. This question also merits prompt and definitive resolution by this Court.

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No. 55

IN THE

Supreme Court of the United States

October Term, 1957

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and the

CIVIL AERONAUTICS BOARD

On Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

---

BRIEF FOR PETITIONER

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December 16, 1957

INDEX

	Page
Opinion Below	1
Jurisdiction	2
Questions Presented	2
Statutes Involved	3
Statement of the Case	4
Summary of Argument	9
Argument	11
I. The lower court had no authority to review *sua sponte* the scope of the Board's remedial order because admittedly respondent had made no objection thereto before the Board.	11
II. The lower court has improperly interfered with the Board's administrative discretion in the choice of remedy to prevent recurrence of law violation by the erroneous injection of the private law doctrine of secondary meaning	20
Conclusion	28

CITATIONS

Cases:

American Power & Light Co. v. *Securities & Exchange Commission*, 329 U.S. 90 (1946) 21

Federal Power Commission v. *Colorado Interstate Gas Co.*, 348 U.S. 492 (1955) 13, 14, 15, 18

Federal Trade Commission v. *National Lead Co.*, 352 U.S. 419 (1957) 17, 19, 21, 22

Federal Trade Commission v. *Real Products Corp.*, 90 F.2d 617 (2d Cir. 1937) 23

Federal Trade Commission v. *Ruberoid Co.*, 343 U.S. 470 (1952) 22, 25

Galter v. *Federal Trade Commission*, 186 F.2d 810 (7th Cir. 1951), *cert. denied*, 342 U.S. 818 (1951) 23, 26

Gold Tone Studios, Inc. v. *Federal Trade Commission*, 183 F.2d 257 (2d Cir. 1950) 23, 24

Hershey Chocolate Corp. v. *Federal Trade Commission*, 121 F.2d 968 (3rd Cir. 1941) 22

Jacob Siegel Co. v. *Federal Trade Commission*, 327 U.S. 608 (1946) 17, 21, 22, 24, 27

Juvenile Shoe Co. v. *Federal Trade Commission*, 289 Fed. 57 (9th Cir. 1923), *cert. denied*, 263 U.S. 705 (1923) 23, 25, 26

Marshall Field & Co. v. *National Labor Relations Board*, 318 U.S. 253 (1943) 16, 19

Page

May Department Stores Co. v. *National Labor Relations Board*, 326 U.S. 376 (1945) 16
National Labor Relations Board v. *Cheney Lumber Co.*, 327 U.S. 385 (1946) 17
National Labor Relations Board v. *Seven-Up Bottling Co.*, 344 U.S. 344 (1953) 16, 17
National Labor Relations Board v. *Stow Manufacturing Co.*, 217 F.2d 900 (2d Cir. 1954), *cert. denied*, 348 U.S. 964 (1955) 16, 17
National Labor Relations Board v. *Winter*, 154 F.2d 719 (10th Cir. 1946) 17
North American Airlines v. *Civil Aeronautics Board*, 228 F.2d 432 (D.C. Cir. 1955), *rev'd*, *American Airlines* v. *North American Airlines*, 351 U.S. 79 (1956) 2, 4, 5, 6, 8, 21, 24
North American Airlines v. *Civil Aeronautics Board*, 240 F.2d 867 (D.C. Cir. 1956), *cert. denied*, 353 U.S. 941 (1957) 8
North American Aviation, Inc. v. *North American Aircoach Systems, Inc.*, (S.D. Calif., Cent. Div., 1955), Case No. 13,412-PH, [unreported], *aff'd*, *North American Aircoach Systems, Inc.* v. *North American Aviation, Inc.*, 231 F.2d 205 (9th Cir. 1955), *cert. denied*, 351 U.S. 920 (1956) 6
Panhandle Eastern Pipe Line Co. v. *Federal Power Commission*, 324 U.S. 635 (1945) 15, 18
P. Lorillard Co. v. *Federal Trade Commission*, 186 F.2d 52 (4th Cir. 1950) 22
Pep Boys—Manny, Moe and Jack, Inc. v. *Federal Trade Commission*, 122 F.2d 158 (3rd Cir. 1941) 26
Phelps Dodge Corp. v. *National Labor Relations Board*, 313 U.S. 177 (1941) 21
Unemployment Compensation Commission of Alaska v. *Aragon*, 329 U.S. 143 (1946) 16
United States v. *Capital Transit Co.*, 338 U.S. 286 (1949) 16
United States v. *Tucker Truck Lines, Inc.*, 344 U.S. 33 (1952) 16
Western Airlines v. *Civil Aeronautics Board*, 196 F.2d 933 (9th Cir. 1952), *cert. denied*, 344 U.S. 875 (1952) 11, 16

Statutes:

Administrative Procedure Act, § 10(e), 5 U.S.C. § 1009 (e) 3, 15
Civil Aeronautics Act,
§ 411, 49 U.S.C. § 491 3
§ 1006(e), 49 U.S.C. § 646(e) 3, 9, 13

Page

Fair Labor Standards Act, § 10(a), 29 U.S.C. § 210 3
Federal Alcohol Administration Act, § 4(h), 27 U.S.C. § 204(h) 3
Federal Power Act, § 313(b), 16 U.S.C. § 825(1) 3
Federal Trade Commission Act, § 5, 15 U.S.C. § 45 4
National Labor Relations Act, § 10(e), 29 U.S.C. § 160(e) 3
Natural Gas Act, § 19(b), 15 U.S.C. § 717(r) 3, 13
Public Utility Holding Company Act, § 24(a), 15 U.S.C. § 79(x) 3
Securities Act of 1933, § 9(a), 15 U.S.C. § 77(i) 3
Securities Exchange Act of 1934, § 25(a), 15 U.S.C. § 78(y) 3

Administrative Regulations:

14 C.F.R. § 291.28 (1953) 6
14 C.F.R. § 302.30 (1953) 17
14 C.F.R. § 302.37 (1953) 13

Legislative Materials:

Sen. Doc. No. 248, 79th Cong., 2d Sess., 289 (1946) 3

Federal Trade Commission Orders:

5 F.T.C. 105 (1922) 23
21 F.T.C. 714 (1935) 23
44 F.T.C. 80 (1947) 23
45 F.T.C. 206 (1948) 24
18 Fed. Reg. 4592 (1953) 23
18 Fed. Reg. 7189 (1953) 23
19 Fed. Reg. 5373 (1954) 23

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---

BRIEF FOR PETITIONER

Petitioner prays that this Court reverse the judgment of the United States Court of Appeals for the District of Columbia Circuit insofar as said judgment reversed in part an order of the Civil Aeronautics Board.

OPINION BELOW

The opinion of the Court of Appeals is printed at pp. 56-57 of the Record and is reported at 235 F.2d 863 (D.C. Cir. 1956).

This opinion was rendered after this Court, in April, 1956, had reversed and remanded a previous

decision in this proceeding by the same Court of Appeals. *American Airlines* v. *North American Airlines*, 351 U.S. 79 (1956). The earlier history of the proceeding is summarized in the opinion of this Court. 351 U.S. at 80-81. The prior opinion of the Court of Appeals is reported as *North American Airlines* v. *Civil Aeronautics Board*, 228 F.2d 432 (D.C. Cir. 1955).

The opinion, findings and order of the Civil Aeronautics Board at issue here are printed at pp. 23-52 of the Record.

JURISDICTION

The judgment of the Court of Appeals was entered on July 12, 1956 (R. 57-58). Timely petitions for rehearing by petitioner and by the Civil Aeronautics Board were denied by the Court of Appeals on September 18, 1956 (R. 58). The petition for writ of certiorari was filed on December 17, 1956, and was granted on January 28, 1957 (R. 59). The jurisdiction of this Court is based on 28 U.S.C. §1254(1).

QUESTIONS PRESENTED

1. Can the Court of Appeals review the scope of a remedial order of the Civil Aeronautics Board where admittedly respondent had not objected thereto before the Board—or even before the Court of Appeals—and where the applicable statute confines the reviewing court to consideration of objections urged before the Board?

2. To protect the public from statutory unfair practices in common carriage by air, the Board properly prohibited use by an air carrier of a name which caused public confusion because of similarity to the

previously established name of a competing air carrier. In framing a remedial order is the Board's discretion so restricted that it cannot also reach variations of that name unless it is shown that the competitor's name has the secondary meaning necessary to establish a private property interest therein?

STATUTES INVOLVED

1. Section 1006(e) of the Civil Aeronautics Act, 49 U.S.C. §646(e), provides in pertinent part:

> "No objection to an order of the [Civil Aeronautics] Board shall be considered by the [reviewing] court unless such objection shall have been urged before the Board or, if it was not so urged, unless there were reasonable grounds for failure to do so."[1]

2. Section 411 of the Civil Aeronautics Act, 49 U.S.C. §491, provides:

> "The [Civil Aeronautics] Board may, upon its own initiative or upon complaint by any air carrier, foreign air carrier, or ticket agent, if it considers that such action by it would be in the interest of the public, investigate and determine whether any air carrier, foreign air carrier, or

[1] Similar statutory provisions include: Section 9(a) of the Securities Act of 1933, 15 U.S.C. § 77(i); Section 25(a) of the Securities Exchange Act of 1934, 15 U.S.C. § 78(y); Section 24(a) of the Public Utility Holding Company Act, 15 U.S.C. § 79(x); Section 10(a) of the Fair Labor Standards Act, 29 U.S.C. § 210; Section 10(e) of the National Labor Relations Act, 29 U.S.C. § 160(e); Section 19(b) of the Natural Gas Act, 15 U.S.C. § 717(r); Section 313(b) of the Federal Power Act, 16 U.S.C. § 825(1); Section 4(h) of the Federal Alcohol Administration Act, 27 U.S.C. § 204(h); and see Sen. Doc. No. 248, 79th Cong., 2d Sess. 289, n. 21 (1946), explaining Section 10(e) of the Administrative Procedure Act, 5 U.S.C. § 1009(e).

ticket agent has been or is engaged in unfair or deceptive practices or unfair methods of competition in air transportation or the sale thereof. If the Board shall find, after notice and hearing, that such air carrier, foreign air carrier, or ticket agent is engaged in such unfair or deceptive practices or unfair methods of competition, it shall order such air carrier, foreign air carrier, or ticket agent to cease and desist from such practices or methods of competition."

As this Court held in its prior opinion, 351 U.S. at 82, Section 411 is based on Section 5 of the Federal Trade Commission Act, 15 U.S.C. §45.

STATEMENT OF THE CASE

This Court will recall from its previous review that respondent and petitioner competed as common carriers over the principal air route in the country—New York-Chicago-Los Angeles. Petitioner's predecessor commenced operations in 1930 as American Airways. Petitioner itself began business in 1934 as American Airlines, under which name it has operated and advertised its service ever since.

Respondent commenced business in 1947 as Twentieth Century Airlines. In 1951—seventeen years after petitioner had started using the name American Airlines—respondent began using the name North American Airlines. In March, 1952, it advised the Civil Aeronautics Board of this name change. 351 U.S. at 80. Thereafter the Board instituted this proceeding under Section 411 of the Civil Aeronautics Act to determine whether respondent's use of the North American name caused substantial public confusion between respondent and petitioner because of the similarity of the two names. 351 U.S. at 81.

After a full evidentiary hearing, which this Court accurately described as "extensive," 351 U.S. at 81, the Examiner concluded that respondent had violated Section 411 and that an order should be entered requiring respondent to stop using the North American name "or any variation of the name 'American'" in air transportation (R. 22). The Board agreed with the Examiner. It held:

> "It is obvious that public confusion between air carriers operating between the same cities is adverse to the public interest, and we have determined that the public should be protected from the effects of the confusion shown on the record *by eliminating what we find to be the cause of such confusion.*" (R. 31-32) (emphasis added).

It therefore entered an order on November 4, 1953—over four years ago—substantially as recommended by the Examiner, requiring respondent to stop engaging in air transportation under the name "North American, or any other name which includes the word American." (R. 51-52).

Under Section 1006 of the Civil Aeronautics Act respondent appealed the Board's decision to the lower court. That court set aside the Board's order on the ground that a case of name confusion was beyond the jurisdiction of the Board under Section 411 of the Act absent a showing of deliberate deception or fraud. 228 F.2d at 437, 442-444.

On certiorari this Court reversed. It held that the Board's "evidentiary findings concerned confusion of the type which can support a finding of violation of Section 411," and it remanded the case for further proceedings only because "we do not understand the court to have decided whether the Board's

findings were supported by substantial evidence on the record as a whole." 351 U.S. at 86.

Shortly after that decision this Court denied certiorari on a petition by this same respondent to review a decision of the Court of Appeals for the Ninth Circuit, affirming a decree against respondent in a private law unfair competition suit in a United States District Court in California. That suit had been brought by an aircraft manufacturing company, North American Aviation, Inc., charging that respondent had fraudulently adopted its North American name to appropriate the good will of the manufacturing company. The District Court found this charge to be correct and enjoined respondent here from using "the name 'North American,' or any name of which the name 'North American' forms a part . . . ." *North American Aviation, Inc.* v. *North American Aircoach Systems, Inc.* (S.D. Calif., Cent. Div., 1955), Case No. 13,412-PH [unreported], *aff'd, North American Aircoach Systems, Inc.* v. *North American Aviation, Inc.*, 231 F.2d 205 (9th Cir. 1955), *cert. denied*, 351 U.S. 920 (1956).

Respondent was compelled therefore to change its name. In May, 1956, a few days before the present case was returned by this Court to the lower court, respondent dropped the North American Airlines name and began using the name Trans American Airlines. This was done without advising the lower court or the Board, and it was, of course, a violation of the Board's Business Name Regulation, 14 C.F.R. §291.28 (1953), which requires that a carrier secure Board approval for a changed name. 351 U.S. at 80.

By motion petitioner advised the lower court of the change in the name used by respondent and asked the

lower court either to declare inoperative or to vacate its stay of the Board's order—a stay which had been granted at the time of respondent's initial appeal. The lower court did not act on petitioner's motion. Rather, and without briefs or argument from the parties, it rendered the judgment here in question. Its opinion sustained the Board's evidentiary findings of substantial public confusion, thereby discharging the task for which this Court had remanded the case. It thus affirmed—as indeed it had to under the decision of this Court—the order of the Board requiring respondent to cease and desist from using the North American name (R. 56). Respondent has not sought review by this Court of that part of the lower court's decision.

But the lower court went on to hold, in one sentence, that "the evidence does not support the finding of the Board that the term 'American' had acquired a secondary meaning . . ." Despite the fact that the Board had specifically held that this finding was not necessary to its decision and that secondary meaning need not be proved in a Section 411 case for the protection of the public (R. 30; *infra*, pp. 20-21), the lower court decreed: "Accordingly, we set aside the order of the Board insofar as it orders [respondent] to cease and desist engaging in air transportation under any other name which includes the word 'American.'" (R. 56-57).

The Court of Appeals thus dealt with the scope of the Board's remedial order. Yet, as respondent admitted at page 2 of its Brief in Opposition in this Court, respondent had never raised objection to the scope of the order before the Board or even before the lower court. It had had numerous opportunities to do so. *Infra*, pp. 11-13.

Moreover, in fettering the Board's discretion to shape a remedial order by requiring establishment of secondary meaning, the lower court once again confused doctrines applicable in private law trade name cases with the considerations properly governing a Section 411 proceeding in the public interest. Its prior opinion in this case had betrayed similar confusion. See, *e.g.*, 228 F.2d at 440-443.

Both petitioner and the Board filed with the lower court petitions for reconsideration which included the grounds which were set forth in the petition for certiorari and which are now presented. These were denied without opinion (R. 58).

Subsequent to the grant of certiorari in this case there took effect an earlier Board order in another proceeding against respondent and certain others who, together with respondent, had been engaging in air transportation as the so-called North American Combine. Among other things that order required respondent and other members of the Combine to cease and desist from engaging in air transportation because of numerous violations of the law by them. (These violations were unrelated to the name question.) That order became effective on June 6, 1957, after it had been affirmed by the court below, *North American Airlines* v. *Civil Aeronautics Board*, 240 F.2d 867 (D.C. Cir. 1956), and after this Court had denied certiorari, 353 U.S. 941 (1957). We shall not repeat the facts and arguments contained in the memoranda previously submitted to this Court in August and September, 1957, by the Board and by petitioner as to why the instant case is not moot and as to why the issues involved are as important now as when certiorari was granted. For a full discussion of these points we invite the Court's at-

tention to those memoranda. Suffice it to say here that respondent has not dissolved, it remains an applicant for common carrier authority from the Board, and it has not abandoned any claim to use of the Trans American name.

SUMMARY OF ARGUMENT

1. Section 1006(e) of the Civil Aeronautics Act confines a reviewing court to consideration of objections urged before the Civil Aeronautics Board unless there were reasonable grounds for failure so to have urged the objections. Here the lower court set aside the remedial order of the Board, insofar as it went beyond proscription of the particular practice found to have violated the Act. This it did *sua sponte;* admittedly respondent had never objected to the scope of the order either in the Board proceeding or even before the lower court. There was no extraordinary circumstance justifying respondent's failure to object. An order of the scope now in question had been proposed to the Board's Examiner and had been recommended by him. Neither in exceptions to his recommendation nor upon any of its other opportunities for attacking the scope of the order did respondent make objection to it. The lower court, therefore, in acting upon its own initiative, exceeded its power.

2. The lower court upheld the Board's order that respondent cease using the name North American Airlines on the ground that it caused confusion between respondent and petitioner, American Airlines, but it set aside the order insofar as it prohibited respondent from using other variations of the name American—such as Trans American Airlines—on the ground that no secondary meaning had been established in the name American. This is an improper inter-

ference with agency discretion to reach beyond a particular transgression and "to close all roads to the prohibited goal." In fashioning a remedy, when wrong has been established, an agency has wide latitude, in view of its experience and its peculiar competence. Notably should this be true in a highly specialized field, such as that for which the Civil Aeronautics Board has responsibility. Since the root of the wrong in this instance was, of course, confusion respecting the word American, the Board's choice of remedy was directly related to prevention of recurrence of confusion. Indeed the remedy was of the same scope as that long adopted by the Federal Trade Commission in comparable name cases arising under Section 5 of the Trade Commission Act.

Nor is the doctrine of secondary meaning—drawn from the private law of trademarks and trade names—relevant to the problem. As the Board itself pointed out, the private law doctrine of secondary meaning does not limit the Board's power to protect the travelling public from the evils of name confusion in common carrier air service. A similar view has been sustained by Courts of Appeals under Section 5 of the Trade Commission Act. As in its previous decision in this case, the lower court has fallen into the error of attempting to apply the law of private property in trade names to a problem of public regulation of common carriers by air.

ARGUMENT

I. The Lower Court Had No Authority To Review *Sua Sponte* the Scope of the Board's Remedial Order Because Admittedly Respondent Had Made No Objection Thereto Before the Board

Section 1006(e) of the Civil Aeronautics Act provides that the reviewing court *shall not consider* any objection to an order "unless such objection shall have been urged before the Board" or "unless there were reasonable grounds for failure to do so." [1] In its opposition to the grant of certiorari in this case respondent admitted that it had not questioned the scope of the Board's remedial order before either the Board or the lower court (Br. in Opp., p. 2). The lower court thus acted entirely *sua sponte* in passing on the scope of the Board's order.

Neither is there any suggestion by the lower court, nor could there be, that there were any "reasonable grounds" for respondent's failure to object to the Board. Respondent itself has not given any reason, good or bad, for this failure.

Certainly there were numerous opportunities for respondent to raise the scope question, as the following brief review will show. The full transcript of the case has been sent by the lower court to this Court but only that portion has been printed which is necessary to present the questions at issue. However, in

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[1] The only other Court of Appeals which has dealt with the question held that Section 1006(e) means what it says: a reviewing court cannot consider objections not presented to the Board. Western Airlines v. Civil Aeronautics Board, 196 F.2d 933 (9th Cir. 1952), cert. denied, 344 U.S. 875 (1952).

this review, we shall refer to documents in the unprinted transcript (cited as Tr. . . .) simply to indicate the numerous opportunities to raise objection of which respondent admittedly did not avail itself.

After the evidentiary hearing all parties—petitioner, the Board's enforcement staff, respondent—filed briefs with the hearing Examiner. Each briefed the questions of fact as to the nature and extent of name confusion and the questions of law as to whether a Section 41 case had been made out. Petitioner and the Board's staff each requested entry of an order prohibiting respondent from using either the name North American or any other name which included the word American (Tr. 720, 757). But respondent's brief did not deal with the question of the proper scope of the order if a Section 411 case were proved (Tr. 765-797).

The Examiner concluded that respondent should be barred from using the North American name "or any variation of the name 'American'" (R. 22). Respondent's detailed, forty-five pages of exceptions dealt entirely with the question whether a Section 411 case had been established. Respondent said nothing about the scope of the order which should be entered in the event the Board found a Section 411 violation (Tr. 846-890).

Petitioner and respondent then filed new briefs to the Board itself. Petitioner asked the Board to issue an order of the scope recommended by the Examiner (Tr. 960). And, by relying on its brief to the Examiner, the Board's enforcement staff made the same request (Tr. 897). But respondent's brief did not deal with the question as to what kind of

an order should be entered if it lost its argument that it had not violated Section 411 (Tr. 899-915).

Again, on oral argument to the Board, respondent's counsel did not even advert to the recommended scope of the order. His argument dealt only with the existence or nonexistence of a Section 411 violation (Tr. 997-1028).

As noted previously, in its decision the Board ordered respondent to stop using the name North American "or any other name which includes the word American." (R. 51-52). Respondent did not seek reconsideration or rehearing of this or any other phase of the Board's decision even though permitted to do so by the Board's rules. 14 C.F.R. §302.37 (1953).

In sum, from the start of the Board proceeding to its finish respondent declined to avail itself of numerous opportunities to question the scope of the Board's order. Hence, in reviewing the scope of the Board's order, the lower court exceeded its statutory authority.

A recent decision of this Court, *Federal Power Commission v. Colorado Interstate Gas Co.*, 348 U.S. 492 (1955), is dispositive. That case involved Section 19(b) of the Natural Gas Act which, for purposes of the issue here, is identical to Section 1006(e) of the Civil Aeronautics Act. It provides:

> "No objection to the order of the Commission shall be considered by the [reviewing] court unless such objection shall have been urged before the Commission . . . unless there is reasonable ground for failure so to do."

The Federal Power Commission, in fixing a natural gas rate, had refused to include as part of the cost of

gas service a loss from certain gasoline operations. Before the Commission the gas company had objected that the method employed by the Commission in allocating the gasoline expense was erroneous and that a proper allocation would show that there had been no loss on gasoline operations. But the company had not contended that, if there were a loss on gasoline operations, the amount of that loss should nevertheless have been included as part of the cost of natural gas service.

Similarly here: respondent here had objected to any finding by the Board of a Section 411 violation, just as respondent there had objected to a method of cost allocation. But respondent here had not argued against the scope of the order which it was proposed that the Board should enter if it were determined that there *was* a Section 411 violation just as the respondent in *Colorado Interstate* had not argued against disallowance of the loss as a cost of gas service if it were determined that there *was* a loss on the gasoline operations.

In both instances, each agency had every reason to believe that the company involved was resting its case on one ground—in *Colorado Interstate*, that it had not sustained a loss in gasoline operations; here, that it had not violated Section 411. In neither case did the respondent evince any concern as to what, in the event its contention were rejected, should be done by the agency.

In *Colorado Interstate* the reviewing Court of Appeals agreed with the Commission's method of allocation, but then *sua sponte* held that the gasoline loss should have been included as a part of the cost of the natural gas service—even though that issue had not

been raised before the Commission or the reviewing court itself. The lower court here took similar action. Respondent had not asked the lower court to review the scope of the Board's order (Br. in Opp., p. 2)—just as it had never asked the Board itself to consider the question. Nevertheless, here, as in *Colorado Interstate*, the Court of Appeals decided the issue *sua sponte*.

On certiorari in *Colorado Interstate*, this Court reversed, setting forth at some length the reasons for not permitting a reviewing court to go beyond the objections urged to the agency by the appealing party. The Court stated in language equally applicable here:

> "Section 19(b) reflects the policy that a party must exhaust its administrative remedies before seeking judicial review. To allow a Court of Appeals to intervene here on its own motion would seriously undermine the purpose of the explicit requirements of §19(b) that objections must first come before the Commission." 348 U.S. at 499. See also *Panhandle Eastern Pipe Line Co.* v. *Federal Power Commission*, 324 U.S. 635, 649 (1945).

This Court added that Section 10(e) of the Administrative Procedure Act strengthens, rather than weakens, "the principle requiring the exhaustion of administrative remedies before permitting court review." 348 U.S. at 499-500. This is the section which permits judicial review only of questions which have been "properly 'presented.'" 348 U.S. at 500.

Indeed, quite apart from specific statutory limitations, it is a matter of general law governing review of agency orders that the appellate court must consider only objections urged before the agency.

> "We have recognized in more than a few decisions, and Congress has recognized in more than a few statutes, that orderly procedure and good administration require that objections to the proceedings of an administrative agency be made while it has opportunity for correction in order to raise issues reviewable by the courts . . . . Simple fairness to those who are engaged in the tasks of administration, and to litigants, requires as a general rule that courts should not topple over administrative decisions unless that administrative body not only has erred but has erred against objection made at the time appropriate under its practice." *United States* v. *Tucker Truck Lines, Inc.*, 344 U.S. 33, 36-37 (1952) (footnotes omitted). See also *United States* v. *Capital Transit Co.*, 338 U.S. 286, 291 (1949); *Unemployment Compensation Commission of Alaska* v. *Aragon*, 329 U.S. 143, 154-155 (1946).

The importance of this rule is underscored by decisions holding exceptions or objections to be deficient because too general. Thus, it is not enough to object to a remedial order as "contrary to, and unsupported by, the evidence and contrary to law." *National Labor Relations Board* v. *Seven-Up Bottling Co.*, 344 U.S. 344, 350 (1953). The objection must be sufficiently specific to "apprise the Board that petitioner intended to raise the question now presented." *Marshall Field & Co.* v. *National Labor Relations Board*, 318 U.S. 253, 255 (1943); see also *May Department Stores Co.* v. *National Labor Relations Board*, 326 U.S. 376, 386-387, n. 5 (1945); *National Labor Relations Board* v. *Stow Manufacturing Co.*, 217 F.2d 900, 906 (2d Cir. 1954), *cert. denied*, 348 U.S. 964 (1955); *Western Airlines* v. *Civil Aeronautics Board*, 196 F.2d 933, 936-937 (9th Cir. 1952), *cert. denied*, 344 U.S. 875 (1952). The Board's own rules incorporate this principle; they require that an exception

be specific "and shall state the grounds for such exception." 14 C.F.R. §302.30 (1953).

While these requirements are academic here since respondent has admitted that it did not make the objection to the Board, still they are significant in demonstrating that, far from paying mere lip service to the rule on objections, the courts have insisted that to permit subsequent appellate review an objection must have been precise enough to permit its recognition and consideration by the agency.

This same rule, inherent in both statutory and general law, makes no exception for objections going to the scope of the remedy. This is the square holding in *National Labor Relations Board* v. *Cheney Lumber Co.*, 327 U.S. 385, 387-389 (1946); see also *National Labor Relations Board* v. *Seven-Up Bottling Co.*, 344 U.S. 344, 350 (1953); *National Labor Relations Board* v. *Stow Manufacturing Co.*, 217 F.2d 900, 906 (2d Cir. 1954), *cert. denied*, 348 U.S. 964 (1955); *National Labor Relations Board* v. *Winter*, 154 F.2d 719, 722 (10th Cir. 1946). Indeed, application of the rule makes particular sense where scope of remedy questions are involved. For in this area—the shaping of remedies to meet law violations—the agencies have been accorded especially broad discretion. See *Federal Trade Commission* v. *National Lead Co.*, 352 U.S. 419, 429 (1957); *National Labor Relations Board* v. *Seven-Up Bottling Co.*, 344 U.S. 344, 346, 348 (1953); *Jacob Siegel Co.* v. *Federal Trade Commission*, 327 U.S. 608, 612-614 (1946); *National Labor Relations Board* v. *Cheney Lumber Co.*, 327 U.S. 385, 388 (1946).

The lower court's action cannot be excused on the ground that, even though respondent had not objected to the scope of the order, a dissenting Board member

had done so. The dissenter's point was that he would have permitted continued use of the North American name with qualifying language to show that respondent and petitioner were two different carriers, on the theory that this would both preserve respondent's good will in the name North American and protect the public from confusion (R. 39-40).

This is a question very different from that raised by the lower court. Of course, the remedy which the dissenter suggested would involve obvious practical difficulties in the air transportation field where spot radio and newspaper announcements are so important; therefore, it is not surprising that the majority of the Board did not adopt the dissenter's suggestion. But—and this is what is controlling here—the questions involved in the dissenter's suggestion have nothing to do with the questions involved in determining whether to permit *other* combinations of the word American, not theretofore used by respondent and in which, accordingly, no good will had been created. The forestalling of other forms of the same violation of Section 411 of the Act—well illustrated in this case by the change in the prefix from "North" to "Trans"—presents considerations quite different from those voiced by the dissenter. An objection to an agency order on one ground will not preserve objections to the order on other grounds. *Federal Power Commission* v. *Colorado Interstate Gas Co.*, 348 U.S. 492, 499 (1955); *Panhandle Eastern Pipe Line Co.* v. *Federal Power Commission*, 324 U.S. 635, 649 (1945).

The very fact that the dissenter focused attention on the remedy makes the lower court's action even less justifiable. The Board had every reason to believe that it was deciding all the questions which respondent wanted to raise—the dissent had proposed

a different remedy and respondent did not even then raise any question on the remedy point by a petition for reconsideration, though entitled to do so under the Board's rules. *Supra*, p. 13. From beginning to end respondent had made it as clear as though it had explicitly stated as much that it wanted to stand or fall on its unrestricted right to use the name North American, and that, if any order were to be entered, the scope of that order (which had been proposed in the very first briefs to the Examiner) did not concern it.[1]

This, then, is a case of aggravated violence to the salutary principle which underlies Section 1006(e)

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[1] It need hardly be pointed out that the lower court was not authorized to consider objection to the scope of the remedial order by virtue of the fact that respondent had argued that its use of the North American name did not violate Section 411. In the Board proceeding respondent had urged, among other things, that there was no confusion in fact, that there was no fraud or "palming off," and that respondent was free to use North American because no secondary meaning in American had been established (R. 29-30). With the rejection of respondent's argument that it could properly use the North American name, the force of respondent's objection was spent. Respondent never directed either the secondary meaning or any other phase of its argument to the question of the scope of the remedial order. Determination of the substantive offense is one thing; fashioning the remedy is quite another, involving very different considerations peculiarly administrative in nature and including factors of prevention and correction not applicable to the violation issue. Cf. Federal Trade Commission v. National Lead Co., 352 U.S. 419, 429-431 (1957). Hence an argument directed to the question of violation does not automatically apply to the question of remedy; it must be specifically addressed to the latter question. Respondent here wholly failed to do so. Accordingly, it did not "apprise the Board that [it] intended to raise the question now presented." Marshall Field & Co. v. National Labor Relations Board, 318 U.S. 253, 255 (1943).

of the Act and similar provisions in other statutes. For here respondent did not even carelessly sleep on its rights—it deliberately did not assert the objection now raised *sua sponte* by the lower court at the eleventh hour in this long litigation.

II. The Lower Court Has Improperly Interfered With the Board's Administrative Discretion In the Choice of Remedy To Prevent Recurrence of Law Violation By the Erroneous Injection of the Private Law Doctrine of Secondary Meaning

When this case was here before, this Court held that the findings of confusion which the Board had made disclosed a Section 411 case, warranting a cease and desist order. 351 U.S. at 86. The Court remanded the case only for a determination as to whether those findings were supported by the evidence. *Ibid.* On the remand the lower court decided that the evidence did support those findings and accordingly upheld the Board's order prohibiting use of the North American name (R. 56).

But the lower court did not stop there. It went beyond the purpose of the remand and set aside the order insofar as it prohibited respondent's use of other names which contained the word American, such as Trans American, on the ground that the evidence did not support a finding of "secondary meaning" in the word American (R. 56-57). This was done, moreover, in face of the fact that the Board had expressly ruled that a finding of secondary meaning was not necessary in order to protect the public from name confusion. The Board had held:

> "We do not believe that in a case like the present, secondary meaning must be proven in order to protect the public against a clearly demonstrated and substantial public confusion. And

> this is certainly true where, as here, respondent has adopted a corporate name confusingly similar to the earlier adopted corporate name 'American Airlines.'" (R. 30).

The lower court's decision violated settled principles of this Court governing the discretion of administrative agencies in the framing of remedial orders to meet established law violations. An agency has "wide discretion in determining the type of order that is necessary to bring an end to the unfair practices found to exist." *Federal Trade Commission* v. *National Lead Co.*, 352 U.S. 419, 428 (1957). Thus, in reviewing an agency order, the court must recognize that an agency has "accumulated experience and knowledge which no court can hope to attain", *American Power & Light Co.* v. *Securities & Exchange Commission*, 329 U.S. 90, 112 (1946); that the agency accordingly has "wide latitude for judgment", that the agency is expected to "draw from its generalized experience" in the area in question, and that "[i]ts expert opinion is entitled to great weight in the reviewing courts." *Jacob Siegel Co.* v. *Federal Trade Commission*, 327 U.S. 608, 613, 614 (1946). The simple fact is that "the relation of remedy to policy is peculiarly a matter for administrative competence." *Phelps Dodge Corp.* v. *National Labor Relations Board*, 313 U.S. 177, 194 (1941).

It is equally well settled that, in the exercise of this broad discretion, an agency is not limited to an order directed solely at the specific form of the practice involved in the case before it.

> ". . . the Commission is not limited to prohibiting the illegal practice in the precise form in which it is found to have existed in the past. If the Commission is to attain the objectives Congress envisioned, it cannot be required to confine

its roadblock to the narrow lane the transgressor has travelled; it must be allowed effectively to close all roads to the prohibited goal, so that its order may not be by-passed with impunity." *Federal Trade Commission* v. *Ruberoid Co.*, 343 U.S. 470, 473 (1952).

See also *Federal Trade Commission* v. *National Lead Co.*, 352 U.S. 419, 429 (1957); *P. Lorillard Co.* v. *Federal Trade Commission*, 186 F.2d 52, 58, 59 (4th Cir. 1950); *Hershey Chocolate Corp.* v. *Federal Trade Commission*, 121 F.2d 968, 971-972 (3rd Cir. 1941). Were the law different, the law violator would always be able to stay one jump ahead of effective enforcement, thereby rendering the agency powerless to protect the public.

While a remedial order must have a "reasonable relation to the unlawful practices found to exist," *Jacob Siegel Co.* v. *Federal Trade Commission*, 327 U.S. 608, 613 (1946); *Federal Trade Commission* v. *National Lead Co.*, 352 U.S. 419, 429 (1957), the Board's order fully meets this test. The lower court itself held the evidence sufficient to support the Board's finding that respondent's use of the name North American Airlines had caused substantial public confusion in violation of Section 411 (R. 56). The confusion was between the name American Airlines used by petitioner since 1934 and North American Airlines only recently adopted by respondent (R. 24-25, 27-28). The cause of that confusion was, of course, the presence of the word American in respondent's name. Accordingly, the Board determined to eliminate "what we find to be the source of such confusion"—*i.e.*, respondent's use of the word American (R. 31-32, 51-52). It cannot be said that a remedial order striking thus at the

source of law violation has no reasonable relation to the unlawful practice.

That the Board's order constituted a proper exercise of discretion is further evidenced by the fact that it embodies the same remedy applied by the Federal Trade Commission in disposing of name problems under the analogous Section 5 of the Trade Commission Act. Thus, in *Federal Trade Commission* v. *Real Products Corp.*, 90 F.2d 617 (2d Cir. 1937), the Commission order affirmed was one prohibiting the use of the word Champion "alone or in connection or conjunction with any other word or words . . ." 21 F.T.C. 714, 721 (1935). And in *Juvenile Shoe Co.* v. *Federal Trade Commission*, 289 Fed. 57 (9th Cir. 1923), *cert. denied*, 263 U.S. 705 (1923), the Commission order sustained was one prohibiting the respondent from using the word Juvenile as part of its corporate name. 5 F.T.C. 105, 111 (1922).[1]

Indeed, in some name cases Trade Commission orders have gone even beyond the Board's order at issue in this proceeding. Here, the order reached only names containing the word American. But in *Galter* v. *Federal Trade Commission*, 186 F.2d 810 (7th Cir. 1951), *cert. denied*, 342 U.S. 818 (1951), the Commission order sustained was one which proscribed use of the names Elgin, Hamilton, Remington, or Underwood, "*or any simulation thereof*, either alone or in connection with other words . . ." 44 F.T.C. 80, 102-103 (1947) (emphasis added). And in *Gold Tone Studios*,

[1] Other cases which involved name confusion between two companies and in which the Commission has barred use of a word or words as part of a name include the following: Sewing Machine Sales Corp., 19 Fed. Reg. 5573 (1954); National Blind Industries, 18 Fed. Reg. 7189 (1953); Illinois Sewing Machine Distributors, 18 Fed. Reg. 4592 (1953).

Inc., v. *Federal Trade Commission*, 183 F.2d 257 (2d Cir. 1950), the Commission order sustained was one prohibiting use of the words Gold Tone "*or any other word or words of similar import or meaning*, either alone or in combination with any other word or words, as a corporate or trade name. . ." 45 F.T.C. 206, 217-218 (1948) (emphasis added).

In thus following the established course of remedial treatment of comparable problems by the Federal Trade Commission, the Board clearly made "an allowable judgment in its choice of the remedy." *Jacob Siegel* v. *Federal Trade Commission*, 327 U.S. 608, 612 (1946). Moreover, the judgment of the Civil Aeronautics Board is entitled to even greater weight than is that of the Trade Commission in a case under Section 5 of the Trade Commission Act. For, as this Court noted in its previous decision in this case, whereas Section 5 "is concerned with purely private business enterprises which cover the full spectrum of economic activity," the Civil Aeronautics Act has committed the regulation of the air industry, peculiarly affected with a public interest, "to an administrative agency of special competence that deals only with the problems of the industry." 351 U.S. at 83-84.

Here, then, was an agency order which was directed at the root of the law violation and whose scope was no greater than, and, in some instances, less than, the scope of orders issued by the Federal Trade Commission over a period of some thirty years in similar cases of name confusion. Under these circumstances it was clear error for the court below to interfere with the Board's discretion. Affirmance of the decision below would undermine the fundamental principle laid

down in the *Ruberoid*, *Jacob Siegel* and *National Lead* cases that an agency is "not limited to prohibiting the illegal practice in the precise form in which it is found to have existed in the past." *Federal Trade Commission* v. *Ruberoid Co.*, 343 U.S. 470, 473 (1952).

Moreover, in setting aside the Board's order, the lower court injected into a statutory proceeding for the public's protection extraneous considerations applicable only to controversies between private parties over private property rights. It did so by holding that the existence of a private property right, or secondary meaning, in petitioner's name was a prerequisite to a ban on respondent's use of variations of the American name other than North American. And it did this in spite of the fact that the Board itself had held specifically, as we have pointed out, *supra*, pp. 20-21, that its decision was not based upon a finding of secondary meaning.

Actually, in rejecting secondary meaning as a requirement for a Section 411 case, the Board was merely following court decisions in name cases arising before the Federal Trade Commission. In *Juvenile Shoe Co.* v. *Federal Trade Commission*, 289 Fed. 57 (9th Cir. 1923), *cert. denied*, 263 U.S. 705 (1923), one of the arguments made against the order was that the word Juvenile could not be preempted by a competitor of the respondent before the Commission. The Court of Appeals for the Ninth Circuit explicitly recognized the argument, pointing out that, "It is not asserted that the Juvenile Shoe Corporation [the competitor] has the exclusive right to the word 'Juvenile' as applied to shoes . . ." and that, "it may be that the word 'Juvenile' is not susceptible of ap-

propriation as a trade mark." 289 Fed. at 59. Nonetheless the Court sustained the broad order of the Commission prohibiting use of the word Juvenile.

Again in *Galter* v. *Federal Trade Commission*, 186 F.2d 810 (7th Cir. 1951), *cert. denied*, 342 U.S. 818 (1951), a similar question was squarely presented. One of the arguments made against the Commission's order prohibiting all use of the words Elgin, Remington, and Underwood, was that these words were not the exclusive property of some competitor of the respondent. But the Court of Appeals for the Seventh Circuit held that the case was not an action for trade mark violation but a proceeding to protect the public, and concluded:

> "Thus the Commission's order would have substantial support in the evidence even though the statements that the names in question belonged exclusively to Elgin, Remington and Underwood were wholly disregarded." 186 F.2d at 814.

Similarly, in *Pep Boys—Manny, Moe and Jack, Inc.* v. *Federal Trade Commission*, 122 F.2d 158 (3rd Cir. 1941), the Court of Appeals sustained a Commission order proscribing the use of certain words in a trade name, even though it was clear that a number of different companies had long been using variations of those same words.

The simple fact is that, like the Section 5 Trade Commission cases, this is not a private law suit and was not tried on the basis of private law theory. In private suits a showing of secondary meaning is necessary to prove a property interest, without which there could be no recovery or equitable relief. But the purpose of a Section 411 proceeding is to protect common carrier air passengers against the evils of

name confusion in the already sufficiently complex process of selecting, catching or meeting the right airplane at the right time in busy airports. Under Section 411, as this Court in its prior decision made clear, the Board is concerned "not with punishment of wrongdoing or protection of injured competitors, but rather with protection of the public interest". 351 U.S. at 85. Hence, the existence or nonexistence of a private property right, or secondary meaning, in a carrier's name has no significance here.[1]

In its prior decision in this case this Court reversed the same lower court and held that the private law doctrines of deliberate deception or fraud and of injury to competitors could not determine Section 411 cases. 351 U.S. at 86. It should similarly dispose of the lower court's latest attempt to read into Section 411, and by inference into Section 5 of the Trade Commission Act, another and equally inapplicable private law doctrine—that of secondary meaning.

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[1] In its opposition to the grant of certiorari, respondent cited Jacob Siegel v. Federal Trade Commission, 327 U.S. 608 (1946), for the proposition that an "established trade mark or trade name" should not be excised if a less drastic remedy should suffice (Br. in Opp., pp. 9-10). But this case involves no established trademark or trade name of respondent. At issue now is respondent's right to use Trans American and other American names—not the North American name in which it had "established" good will. Moreover, the lower court was not applying the principle of *Siegel*. Rather, the lower court held that the Board was *precluded* from entering its remedial order absent a showing of private law secondary meaning.

CONCLUSION

The decision of the lower court, insofar as it set aside the Board's order, should be reversed.

Respectfully submitted,

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December 16, 1957

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JOHN T. FEY, Clerk

No. 555

IN THE

Supreme Court of the United States

October Term, 1956

AMERICAN AIRLINES, INC.,
Petitioner,

v.

NORTH AMERICAN AIRLINES, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

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BRIEF FOR RESPONDENT IN OPPOSITION

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INDEX

	PAGE
No Reason Exists to Invoke This Court's Jurisdiction	1
Opinion Below	2
Question Presented	2
Statutes Involved	2
Statement	3
Argument	6

CITATIONS

Cases:

FTC v. *Real Products Corp.*, 90 F.2d 617	10
FTC v. *Royal Milling Co.*, 288 U.S. 212	9
FPC v. *Colorado Interstate Gas Co.*, 340 U.S. 492	6, 7
Galter v. *FTC*, 186 F.2d 810	10
Gold Tone Studios, Inc. v. *FTC*, 183 F.2d 257	10
Hormel v. *Helvering*, 312 U.S. 552	8
Jacob Seigel Co. v. *FTC*, 327 U.S. 608	9, 10
Juvenile Shoe Co. v. *FTC*, 289 Fed. 57	10
Marshall Field & Co. v. *NLRB*, 381 U.S. 253	8
May S[illegible]s Co. v. *NLRB*, 326 U.S. 376	8
Minneapolis-Honeywell Reg. v. *FTC*, 191 F.2d 786	8
Mulligan v. *Andrews*, 211 F.2d 28	8
NLRB v. *Cheney Lumber Co.*, 327 U.S. 385	8
NLRB v. *Seven-Up Co.*, 344 U.S. 344	8
North American Airlines v. *CAB*, 228 F.2d 432	5
Pep Boys—Manny, Moe & Jack, Inc. v. *FTC*, 122 F.2d 158	10
Phillips v. *SEC*, 156 F.2d 606	8
Unemployment Compensation Commission of Alaska v. *Aragon*, 329 US. 143	8
United States v. *Capital Transit Co.*, 338 U.S. 286	8
United States v. *L. A. Tucker Truck Lines*, 344 U.S. 33	8
Universal Camera Corp. v. *NLRB*, 340 U.S. 474	8
Western Airlines v. *CAB*, 196 F.2d 933	8
W. R. Grace & Co. v. *CAB*, 154 F.2d 271	8

PAGE

Statutes and Regulations Cited:

Administrative Procedure Act, 60 Stat. 237, as amended, 5 U.S.C. § 1001, *et seq.*:
Sec. 10 7
Civil Aeronautics Act of 1938, 52 Stat. 977, as amended, 49 U.S.C. § 4401, *et seq.*:
Sec. 411 ..... 3, 4
Sec. 1006(d) 2, 10
Sec. 1006(e) 2
Natural Gas Act, 52 Stat. 821, as amended, 15 U.S.C. § 717 *et seq.*:
Sec. 19(a) 6
Sec. 19(b) 6
Trade-Mark Act of 1946, 60 Stat. 427, as amended, 15 U.S.C. § 1051, *et seq.*:
Sec. 5(c) 10
Civil Aeronautics Board Economic Regulations:
Part 291.28 4
Part 302.37 7
Administrative Orders:
Civil Aeronautics Board
No. E-7107 4
No. E-7174 5
Supreme Court Rules:
19(1) 1

IN THE

Supreme Court of the United States

October Term, 1956

No. 635

AMERICAN AIRLINES, INC.,

Petitioner,

v.

NORTH AMERICAN AIRLINES, INC.,

Respondent.

BRIEF IN OPPOSITION TO A WRIT OF CERTIORARI

Petitioner seeks review of a decision of the United States Court of Appeals for the District of Columbia Circuit which modified an order of the Civil Aeronautics Board. The decision by the lower court was unanimous.

NO REASON EXISTS TO INVOKE THIS COURT'S JURISDICTION

The lower court made its decision in conformity with the well-settled legal principles established by this Court. The decision below does not conflict with any federal court decisions on this matter; nor did the lower court depart from the accepted course of judicial proceedings.

"A review on writ of certiorari . . . will be granted *only* where there are *special* and *important reasons* therefor." Emphasis added. Rule 19(1). Here, there is no reason for granting the writ.

OPINION BELOW

The opinion of the United States Court of Appeals for the District of Columbia Circuit, not yet reported, appears at pages 481-482 of the record.

The opinion of the Civil Aeronautics Board appears at pages 199-211 of the record, and the dissenting opinion of one Board Member appears at pages 211-218 of the record. The initial decision of the hearing examiner appears at pages 183-199 of the record.

QUESTION PRESENTED

There is only one, quite simple question presented:

Whether the lower court, reviewing a final decision and order of the Civil Aeronautics Board and the evidence in support thereof has the power to modify the scope of the order after determining that the evidence did not support all of the findings of the Board even though the respondent did not specifically raise an objection thereto, either before the Board or before the lower court of appeals, but where the Board recognized the issue, and considered and determined it in the Board's final decision and order under review.

STATUTES INVOLVED

The pertinent parts of Section 1006 of the Civil Aeronautics Act, 52 Stat. 1024, as amended, 49 U.S.C. § 646, are as follows:

> "(d) . . . the court shall have exclusive jurisdiction to affirm, modify, or set aside the order complained of, in whole or in part, and if need be, to order further proceedings by the [Civil Aeronautics] Board . . . ."
>
> "(e) . . . No objection to an order of the Board shall be considered by the court unless such objection shall have been urged before the Board or, if it was not so urged, unless there were reasonable grounds for failure to do so."

Section 411 of the Civil Aeronautics Act, 52 Stat. 103, as amended, 49 U.S.C. § 491, reads as follows:

> "The [Civil Aeronautics] Board may, upon its own initiative or upon complaint by any air carrier, foreign air carrier, or ticket agent, if it considers that such action by it would be in the interest of the public, investigate and determine whether any air carrier, foreign air carrier, or ticket agent has been or is engaged in unfair or deceptive practices or unfair methods of competition in air transportation or the sale thereof. If the Board shall find, after notice and hearing, that such air carrier, foreign air carrier, or ticket agent is engaged in such unfair or deceptive practices or unfair methods of competition, it shall order such air carrier, foreign air carrier, or ticket agent to cease and desist from such practices or methods of competition."

STATEMENT

Respondent originally incorporated on May 4, 1946, as Twentieth Century Airlines, Inc., in the State of North Carolina, holds a letter of registration as a large irregular air carrier issued in that name by the Civil Aeronautics Board on July 22, 1947. R. 171. On April 21, 1951, respondent began engaging in air transportation under the trade name North American Airlines and North American, and on March 3, 1952, by an amendment to its certificate of incorporation, respondent changed its name to North American Airlines, Inc. R. 171.

By a letter dated March 11, 1952, addressed to the Civil Aeronautics Board, respondent advised the Civil Aeronautics Board of the change of its corporate name and suggested a reissue of its letter of registration in that name. R. 171-172. At that time there was no Board regulation which purported to control or regulate the name under which a carrier might operate, and no regulation requiring Board approval or permission to change a car-

rier's name. The Board did not reply to respondent's letter of March 11, but more than five months later, on August 19, 1952, it adopted Regulation ER-178, being Amendments No. 7 to Part 291 of its economic regulations under which it made it an express condition upon the operating authority granted to each large irregular air carrier, that unless otherwise authorized by the Board, such air carrier shall not hold out to the public and perform air transportation services in any name other than that appearing on its letter of registration. 14 C.F.R. §291.28, at R. 295-298.

In the introductory comment of its new regulation the Board states that where good will has been established in a name, the Board will deny permission to use that name only where, after notice and opportunity for a hearing, it is established that such use constitutes a violation of Section 411 of the Civil Aeronautics Act of 1938, 52 Stat. 1003, as amended, 49 U.S.C. § 491. R. 295-297.

On October 6, 1952, respondent in accordance with the requirements of the new regulation, applied to the Board for authorization to conduct its operations under its proper corporate name, *i.e.*, North American Airlines, Inc. R. 1-3. After respondent filed said application, petitioner [1] filed a memorandum with the Civil Aeronautics Board, claiming service mark infringement and unfair competition. R. 186. By its Order E-7107, adopted on January 28, 1953, the Civil Aeronautics Board instituted an investigation, C.A.B. Docket No. 7928, to determine whether respondent in using its comporate name and derivitaves thereof in air transportation, "have been and is" violating Section 411 of the Civil Aeronautics Act, *supra*. R. 3-6. The said order consolidated for hearing

[1] Petitioner is an air carrier which together with its predecessor company, American Airways, Inc., has been continuously engaged in air transportation since 1930. R. 171.

together with the investigation proceeding, respondent's application, C.A.B. Docket No. 5774. R. 5-6. By Board Order No. E-7174, dated February 14, 1953, petitioner was permitted to intervene. R. 186.

The enforcement attorney for the Civil Aeronautics Board produced no witnesses and no evidence of any kind during the entire course of the hearing. For all practical purposes, he participated only as an observer. The only evidence produced against respondent was that produced by petitioner through its employees. R. 416.

The Civil Aeronautics Board found that the use by respondent of its corporate name, derivatives of that name, "or any combination of the word 'American' violated Section 411 of the Civil Aeronautics Act, *supra*, and ordered respondent and its agents to cease and desist from engaging in air transportation under its corporate name, derivatives thereof "or any combination of the word 'American'." R. 210-211, 229-230.

Relative to the evidence in the proceeding before the Civil Aeronautics Board, the lower court stated in its prior decision:

> "The Board rejected, and decided it 'need not comment' upon, its Examiner's finding:
>
> 'There is no evidence of record that North American adopted its name with intent to deceive the public or trade upon the good-will and business reputation of American, or that American has been injured by such operation . . .' [R. 197].
>
> Our examination of the record demonstrates that the Examiner was correct." 228 F. 2d 432, 436.

Although respondent did not specifically raise the issue, the Civil Aeronautics Board itself recognized and considered the issue as to whether respondent should be ordered to cease and desist engaging in air transportation under any other name which includes the word "Amer-

ican." R. 208, 210-211. In fact, such a sanction upon respondent was so controversial that it caused one Board Member to indicate in his dissent, strong disapproval of the sanction which absolutely prohibited respondent from using " 'American' in any way in its business name." R. 217.

The lower court, on remand from this Court, modified the Board's order stating:

> " . . . . we set aside the order of the Board insofar as it orders petitioner to cease and desist engaging in air transportation under any other name which includes the word 'American.' " R. 482.

The Government did not petition for writ of certiorari.

ARGUMENT

The decision below accords with the decisions of this Court and of the other courts of appeal. The tenuousness of petitioner's petition is best illustrated by the fact that it has cited *Federal Power Commission* v. *Colorado Interstate Gas Company*, 340 U.S. 492 (1955), as a case in "conflict" with the lower courts decision in the instant case. Pet. at 14-15.

The gas company in that case simply did not make an application for a rehearing to the Federal Power Commission with respect to the issue subsequently considered by the court of appeals, which application was *required* under Section 19(a,b) of the Natural Gas Act, 52 Stat. 831, 15 U.S.C. § 717r(a,b), before the court of appeals could consider the objection. As this Court said in the *Colorado Interstate Gas* case, *supra* at 498, 500:

> " . . . Respondent's error appears on the face of the statute. Section 19(a) first precludes the *bringing* of any proceeding in a Court of Appeals to review an order of the Commission, *unless the person bringing it previously has applied to the Commission for a rehearing on that order.* Section 19(b) then expressly

precludes the *consideration* by the court of any objection to an order of the Commission, *unless the objection shall have been urged before the Commission in the application for rehearing.* . . ."

* * * * *

"Furthermore, § 10 [of the Administrative Procedure Act], by its own terms, is made applicable in 'so far as (1) statutes [as in the Natural Gas Act] preclude judicial review' . . ." The Court's emphasis.

The Civil Aeronautics Act unlike the Natural Gas Act, does *not* require an application for rehearing or reconsideration of an order otherwise final. Petitioner in this case has never questioned and indeed, cannot question that the order under review was a final order. The Board's rule with respect to reconsideration is permissive only, and as noted, Rule 37, "neither the filing nor the granting of such a petition shall operate as a stay of such final order unless specifically so ordered by the Board." 14 C.F.R. § 302.37 (1953). There is no conflict between the lower court's decision and this Court's decision in the *Colorado Interstate Gas* case, *supra*. The *Gas* case, *supra*, is just not applicable.[2]

There is no question that the Civil Aeronautics Board had an opportunity to and did consider and determine the issue raised by the court of appeals below. The Board recognized and considered the issue, imposing a sanction upon respondent so grave that it caused one Board Mem-

[2] It is worth noting that in FPC v. Colorado Interstate Gas Co., 348 U.S. 492 (1955), the condition in the certificate of the gas company which was subsequently objected to by that company before the court of appeals had been proposed and acquiesced in by the gas company. The FPC had no reason to believe that the validity of the condition was contested by the gas company. The validity of the condition was not considered or determined by FPC during the hearing. Such are not the facts in the instant proceeding where the issue was recognized, considered and decided by the CAB. R. 208, 210-211, 217. Not even petitioner in the instant proceeding can deny this.

ber to indicate in his dissent, strong disapproval of the sanction which absolutely prohibited petitioner from using "American" in any way in its business name.[3] Upon such facts, the law is clear that the reviewing court has the power to modify the scope of the Civil Aeronautics Board's order. *Hormel* v. *Helvering*, 312 U.S. 552 (1941); *Mulligan* v. *Andrews*, 93 U.S. App. D.C. 375, 211 F. 2d 28 (1954); *Phillips* v. *Security Exchange Commission*, 156 F. 2d 606 (2d Cir. 1956); *cf. W. R. Grace & Co.* v. *Civil Aeronautics Board*, 154 F. 2d 271, 286 (2d Cir. 1946) (and Supreme Court cases cited therein).

The cases cited by petitioner to support a contrary view, in fact, support the action taken by the lower court in this proceeding.[4] In all of those cases cited by petitioner, pages 15-18, the issue in question had never been raised before the administrative agency, or considered and deter-

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[3] R. 208, 210-211, 217. Under the rule of Universal Camera Corp. v. NLRB, 340 U.S. 474 (1951), it is the duty of the appellate court to examine the record as a whole in order to determine whether the evidence supporting an order of an administrative agency is substantial. "[W]e think the evidence supporting the conclusion [of the administrative agency] may become even less substantial when it fails to persuade an experienced member of the Commission who dissents from its findings and conclusions." Minneapolis-Honeywell Reg. v. FTC, 191 F. 2d 786 (7th Cir. 1951).

[4] United States v. L. A. Tucker Truck Lines, 344 U.S. 33 (1952); United States v. Capital Transit Co., 338 U.S. 286 (1949); Unemployment Compensation Commission of Alaska v. Aragon, 329 U.S. 143 (1946); NLRB v. Cheney Lumber Co., 327 U.S. 385 (1946); NLRB v. Seven-Up Co., 344 U.S. 344 (1953); Marshall Field & Co. v. NLRB, 381 U.S. 253 (1943); May Stores Co. v. NLRB, 326 U.S. 376 (1945).

Contrary to what petitioner would like this Court to believe, the lower court's action in the instant proceeding does not conflict with the decision of the Ninth Circuit in Western Airlines v. CAB, 196 F. 2d 933 (9th Cir. 1952). Pet. at 16-17. In the Western Airlines Case, *supra*, the Board had not considered and determined the particular issue subsequently raised before the Court of Appeals. As has been demonstrated, this is not the situation in the present case. R. 208, 210-211, 217. It is the facts, not the law, which are in conflict.

mined by it. Such a condition is materially different from the factual circumstances in the present case. In the present proceeding, the Civil Aeronautics Board had recognized the issue, had considered, controverted, and determined the question in its final decision. R. 208, 210-211, 217. Under such circumstances, there is no question of the lower courts power to modify the order as it did. See Argument, *supra* at 8.

Petitioner also contends that the decision of the lower court conflicts with other federal courts of appeals decisions, and has improperly interfered with the exercise of an agency's discretion in the choice of remedy through the use of dissimilar bodies of law. Again, this is not the case. The lower court's action in modifying the order of the Civil Aeronautics Board conformed to the principles well-established by this Court and in no way conflicted with decisions of other courts of appeal. The Supreme Court in Federal Trade Commission cases, has repeatedly expounded the principle that "complete excision" of an established trademark or trade name should not be ordered if a less drastic remedy would suffice to safeguard the public against confusion. The Supreme Court in *Federal Trade Commission* v. *Royal Milling Company*, 288 U.S. 212 (1933), in a decision which was left undisturbed in this regard by the Supreme Court's more recent decision in *Jacob Seigel Company* v. *Federal Trade Commission*, 327 U.S. 608 (1946), said at page 217:

> " . . . The orders should go no further than is reasonably necessary to correct the evil and preserve the right of competitors and public; and this can be done, in the respect under consideration, by requiring proper qualifying words to be used in immediate connection with the names."

In the *Seigel* case, *supra*, which case petitioner repeatedly cites, the Supreme Court reaffirmed the ruling of the *Royal Milling Case*, *supra*, by emphasizing that under the express words of Section 5 (c) of the Federal Trade

Commission Act, 38 Stat. 719, as amended, 15 U.S.C. § 45 (c), the reviewing court had the power to modify the order of the Commission. In the *Seigel* case, *supra*, as in this case, one of the members of the administrative agency wrote a dissenting opinion in which the majority order was criticized as being too harsh. R. 217. In the *Seigel* case, *supra*, as in the present case, the reviewing court had express statutory authority to modify the order of the administrative agency.[5] Respondent submits that the lower court, under the factual circumstances, and under law propounded by this Court, had the power and duty to modify the order of the Civil Aeronautics Board. The cases cited by petitioner do not support a contrary view.[6]

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[5] Section 1006 (d) of the Civil Aeronautics Act, 52 Stat. 1024, 49 U.S.C. § 646 (d); Section 5 (c) of the Federal Trade Commission Act, 38 Stat. 719, as amended, 15 U.S.C. § 45 (c).

[6] Petitioner, in an attempt to establish that a conflict of decisions exist between that of the lower court and other courts of appeals, cite: Galter v. FTC, 186 F. 2d 810 (7th Cir. 1951); Gold Tone Studios, Inc. v. FTC, 183 F. 2d 257 (2d Cir. 1950); Pep Boys—Manny, Moe and Jack, Inc. v. FTC, 122 F. 2d 158 (3d Cir. 1941); FTC v. Real Products Corp., 90 F. 2d 617 (2d Cir. 1937); Juvenile Shoe Co. v. FTC, 289 Fed. 57 (9th Cir. 1923). Again, however, it is not the law but the facts which are in conflict. Except for one, in each of the said cases cited by petitioner, the element of strong and deliberate deception or passing off was present. Such is not the case in the instant proceeding. See Statement, *supra* at 5.

In the Gold Tone Studios Case, *supra*, where deliberate deception and passing off was not involved, the court of appeals for the Second Circuit *modified* the scope of the remedy which the administrative agency had proscribed.

CONCLUSION

The decision of the court below is correct. The petition for a writ of certiorari presents no question warranting further review and should therefore be denied.

Respectfully submitted,

HARDY K. MACLAY,

WALTER D. HANSEN,
Attorneys for Respondent.

January 16, 1957

In the Supreme Court of the United States

OCTOBER TERM, 1957

No. 55

AMERICAN AIRLINES, INC., PETITIONER

v.

NORTH AMERICAN AIRLINES, INC., AND THE CIVIL AERONAUTICS BOARD

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

MEMORANDUM FOR THE CIVIL AERONAUTICS BOARD RESPECTING POSSIBLE MOOTNESS

The Solicitor General, on behalf of the Civil Aeronautics Board, respectfully calls to the Court's attention certain new facts which raise a question of possible mootness in this case, now awaiting briefing and argument on the merits. Respondent's air carrier operating authority has been terminated since the granting of certiorari herein, and neither respondent nor any of its affiliates appears to be engaged in activities which are violative of the Board order involved in this case. This change of circumstances raises the question of possible mootness which is discussed in this memorandum.[1]

[1] For the Court's convenience, the Appendix, *infra*, p. 11, contains a chronological table of the pertinent events.

I

Respondent, together with three other registered irregular air carriers and a promotional company, and four individuals who controlled them were the original members of a venture known as the North American Combine. Taking its name from respondent, the combine as an entity engaged in air transportation under the name of North American Airlines.[1]

On November 4, 1953, the Board found that respondent's use of the name North American in air transportation violated § 411 of the Civil Aeronautics Act, 49 U. S. C. 491, since it had created substantial public confusion between petitioner and respondent, who were competitors in air transportation (R. 200–201). It ordered respondent, its successors, assignees, agents, etc., to "cease and desist from engaging in air transportation under the names of North American Airlines, Inc., North American Airlines, North American, or any other name which includes the word 'American'." (R. 230.)

On petition for review, the court below reversed the Board's order. 228 F. 2d 432. On April 23, 1956, this Court reversed, and remanded the case to the Court of Appeals for a determination as to the adequacy of the record upon which the finding of substantial public confusion was based. 351 U. S. 79.

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[1] Respondent was incorporated under the name Twentieth Century Airlines, Inc. It changed its name to North American Airlines, Inc. on March 3, 1952.

Therearter, in May 1956, and as a consequence of an injunction obtained by an aircraft company forbidding the use by respondent and its affiliates of the name "North American" (*North American Aircoach Systems, Inc., et al.* v. *North American Aviation, Inc.*, 231 F. 2d 205 (C. A. 9), certiorari denied, 351 U. S. 920), the combine abandoned the use of that name and, drawing upon the corporate name of another of its members, Trans American Airways, Inc., engaged in air transportation as Trans American Airlines.[3]

Upon remand pursuant to this Court's decision of April 23, 1956, the court below, on July 12, 1956, affirmed the Board's order insofar as it required respondent to cease and desist from using the names North American Airlines, Inc., North American Airlines, or North American in its air transportation operations. Taking cognizance of the change of name to Trans American, the court, *sua sponte*, raised the question of the scope of the Board's order and reversed it insofar as it forbade respondent from engaging in air transportation under any name which would include the word "American." 235 F. 2d 863. On January 28, 1957, this Court granted certiorari to review this disposition of the case by the Court of Appeals. 352 U. S. 988.

Meanwhile, on July 1, 1955, the Board had issued its Order No. E-9360 in an enforcement proceeding

[3] Prior Board approval of this name change was not obtained pursuant to the Board's Business Name Regulation, 14 CFR § 291.28, which requires permission for use of a name other than the one in which a carrier's operating authority is issued.

against the respondent and the other original members of the combine (*Twentieth Century Airlines, et al. Compliance Proceeding,* Docket 6000). The Board (1) revoked the four carriers' letters of registration as large irregular carriers; (2) ordered the combine, its successors and assigns, to cease and desist from engaging in air transportation; (3) ordered the four carriers (including respondent), their successors and assigns, all both collectively and individually, to cease and desist from engaging in air transportation directly or indirectly and from violating § 408 of the Act; and (4) ordered North American Aircoach and the four individuals, their successors and assigns, all both collectively and individually, to cease and desist from engaging in air transportation in violation of § 401 and/or from violating § 408 of the Act. This order became effective on June 6, 1957, following its affirmance by the court below (*North American Airlines* v. *Civil Aeronautics Board,* 240 F. 2d 867) and denial of certiorari by this Court (353 U. S. 941).

A fifth registered irregular carrier, Unit Export Company, Inc., was found by the Board to have been acquired by the individuals and utilized in the operations of the combine. However, since this occurred subsequent to the institution of the compliance proceeding, its registration was not revoked nor was it named in any portion of the cease and desist order.

According to the information now available to the Board, the corporate carriers (including respondent herein) have not been dissolved, and none of the members except Unit Export is authorized to engage in air transportation. Unit Export, to our knowledge, is

not using a name including the word American.[4] A new corporation, known as Twentieth Century Aircraft, Inc., has been formed, having as its principal officers three of the individual members of the North American combine. This company, doing business as Twentieth Century Airlines, is alleged to be engaged in non-common carrier operations for the military.[5] It is using aircraft previously operated by the combine. This company is also alleged to be doing maintenance work for other carriers. The only other visible aeronautical activity on the part of any member of the combine appears to be the lease of its DC–6B aircraft to Eastern Air Lines.

II

In the light of these facts, the question arises whether this case is now moot. In our view, it is not moot and should not be treated as such.

A. It is settled that cessation of the allegedly illegal conduct by a respondent and those acting in concert with it does not, of itself, render moot litigation to review the validity of the administrative order forbidding their conduct. *United States* v. *W. T. Grant Co.*, 345 U. S. 629; *Federal Trade Commission* v. *Goodyear Co.*, 304 U. S. 257; *United States* v. *Trans-Missouri Freight Assn.*, 166 U. S. 290.[6] In particular,

[4] In order to engage in air transportation under a name other than that in which its letter of registration is issued, a carrier must secure prior Board approval. 14 CFR § 291.28.

[5] The Board's economic regulatory jurisdiction extends only to common carriage by aircraft.

[6] See also *Walling* v. *Helmerich & Payne*, 323 U. S. 37; *Walling* v. *James V. Reuter, Inc.*, 321 U. S. 671; *Mitchell* v. *Joyce Agency, Inc.*, 348 U. S. 945; *Mitchell* v. *C. W. Vollmer*

this Court has held that the discontinuance of violations by voluntary agreement (*Walling* v. *Helmerich & Payne*, 323 U. S. 37), or by completion of the work involved in the particular litigation (*Mitchell* v. *C. W. Vollmer & Co., Inc.*, 349 U. S. 427), or by dissolution of the corporate employer (*Walling* v. *James V. Reuter, Inc.*, 321 U. S. 671; *Mitchell* v. *Joyce Agency, Inc.*, 348 U. S. 945) does not, by itself, moot the controversy. This is true even though these circumstances, arising subsequent to the issuance of the order under review, "indicate that the need for it may be less than when made." *National Labor Relations Board* v. *Pennsylvania Greyhound Lines*, 303 U. S. 261, 271.

Rather, the vitality of the case is measured by a practical evaluation of the possibility of future recurrence of the challenged practices or of further proceedings based upon the administrative order. Recurrence must not be impossible. *United States* v. *Hamburg-American Co.*, 239 U. S. 466, 475. Nevertheless, there need not be a "cognizable danger * * * [a] mere possibility * * * serv[ing] to keep the case alive." *United States* v. *W. T. Grant Co., supra*, 345 U. S. at p. 633. It is enough that the administrative order "may to some extent" be the basis for further proceedings, "the exact extent it is unnecessary to define." *Southern Pacific Terminal Co.* v. *Interstate Commerce Commission*, 219 U. S. 498, 515. Here, a

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& Co., Inc., 349 U. S. 427; *National Labor Relations Board* v. *Mexia Textile Mills*, 339 U. S. 563, 567-8; *National Labor Relations Board* v. *Crompton-Highland Mills, Inc.*, 337 U. S. 217.

recurrence of the conduct forbidden by the Board's order is possible, even though that conduct might be proscribed by other regulatory provisions such as the Board's Business Name Regulation.

Moreover, principles favoring continued life of a controversy "may be applied in fuller measure in furtherance of the public interest * * * than if only private interests were involved." *Walling* v. *Reuter Co.*, 321 U. S. 671, 674–675. The "public interest in having the legality of the practices settled" when coupled with a "mere possibility" of recurrence "militates against a mootness conclusion." *W. T. Grant Co., supra*, 345 U. S. at 632.

This approach is recognized as particularly appropriate where the Court's decision will operate as a guide to the public agency if it is required to take further action in the same matter, *Walling* v. *Haile Gold Mines*, 136 F. 2d 102, 105 (C. A. 4), or in future similar matters. *Walling* v. *Mutual Wholesale Food & Supply Co.*, 141 F. 2d 331, 334–335 (C. A. 8); *Southern Pacific Terminal Co.* v. *Interstate Commerce Commission*, 219 U. S. 498; *Boise City Irr. & Land Co.* v. *Clark*, 131 Fed. 415 (C. A. 9).

In this respect, the present case takes on special significance because, being a case of first impression, 351 U. S. at p. 82, it can be anticipated that it will affect the future administration of a statutory provision dealing with "a field where Congress was specifically concerned to protect the public interest," a field involving matters "of obvious national public concern." 351 U. S. at p. 84. The lower court has denied to the Board the power generally recognized

to exist in other public agencies to issue an order sufficiently broad to prevent recurrence of conduct which creates public confusion, in the apparent belief that "secondary meaning" is a prerequisite to such an order. As matters now stand, the applicable criteria have been confused by the injection of these private law concepts into proceedings looking to the vindication of the public interest and in a case in which, in the light of past conduct, resumption of the activity is entirely possible.

In the Board's opinion, these considerations, taken in combination, militate against a conclusion of mootness. *United States* v. *W. T. Grant Co., supra,* 345 U. S. at p. 632.

B. Should the Court determine, however, that this controversy has become moot, we believe that the correct disposition would be to vacate the judgment of the Court of Appeals only insofar as it reversed that portion of the Board's order which forbade respondent's use of the word "American" in whatever name it might use to conduct its air transportation operations. This disposition is supported by the Court's discussion in *United States* v. *Munsingwear,* 340 U. S. 36.

The practice prescribed by *Munsingwear* is designed to permit relitigation of the issues by eliminating a judgment "review of which was prevented through happenstance" so that a "decision which in the statutory scheme was only preliminary" is prevented "from spawning any legal consequences." 340 U. S. at pp. 40, 41. Insofar as it affirmed various provisions of the Board's order, the judgment below has

not become unreviewable "through happenstance" nor is it "only preliminary." On the contrary, it has become unreviewable through respondent's decision not to seek its review by this Court. Far from being only preliminary, that portion of a judgment which is adverse to a litigant who does not seek its review is immune from attack by him in certiorari proceedings challenging the remaining portions of the judgment which are favorable to him. *Federal Trade Commission* v. *Pac. Paper Assn.*, 273 U. S. 52, 66. Because of respondent's decision not to file a cross-petition for certiorari, those parts of the Board's order which were sustained by the court below (as well as the findings upon which they were based) have received the full measure of judicial review to which they are susceptible. Accordingly, as to that part of the judgment, none of the reasons calling for application of the *Munsingwear* rule exists, and it should be permitted to have the legal consequences which normally flow from any final judgment. If this controversy is moot, only those portions of the judgment below which have been called into question by petitioner should be vacated.

III

There remains the question of whether the Court should proceed further with this case, even if it is not regarded as moot. Cf. *National Labor Relations Board* v. *Textile Workers Union of America*, 352 U. S. 864. We suggest that, for the reasons set forth under Part II, *supra*, it would be appropriate, now that certiorari has been granted, to dispose of the

case on the merits rather than to vacate the writ because this particular respondent has ceased to act as an air carrier. On the other hand, the Court may consider that the developments subsequent to the grant of certiorari have deprived the case of sufficient general importance to warrant review. We recognize that determination of this matter rests peculiarly within the Court's discretion.

Respectfully submitted,

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AUGUST 1957.

APPENDIX

Chronology of Relevant Administrative and Judicial Proceedings Involving Respondent

Date	Proceeding
11-4-53	Civil Aeronautics Board Order No. E-7870 issued, forbidding respondent, its agents, successors, assigns, etc., using name North American or any other name including word American in air transportation.
6-23-55	Court of Appeals for District of Columbia Circuit reversed Board's Order No. E-7870. 228 F. 2d 432.
7-1-55	Civil Aeronautics Board Order No. E-9360 issued, revoking respondent's letter of registration and forbidding it, its successors and assigns, from engaging in air transportation.
9-28-55	Court of Appeals for Ninth Circuit affirmed District Court order forbidding respondent to use name North American. 231 F. 2d 205.
11-14-55	This Court granted certiorari to review decision of court below reversing Order No. E-7870. 350 U. S. 894.
4-23-56	This Court reversed decision of court below which had reversed Order No. E-7870, and remanded case for further proceedings. 351 U. S. 79.
4-30-56	This Court denied certiorari to review decision of Court of Appeals for Ninth Circuit. 351 U. S. 920.
7-13-56	Court below, on remand from this Court, affirmed part of Order No. E-7870, and reversed that part forbidding respondent to use any name including word "American" in its air transportation operations. 235 F. 2d 863.
12-20-56	Court below affirmed Order No. E-9360. 240 F. 2d 867.
1-28-57	This Court granted certiorari to review decision of court below partially reversing Order No. E-7870. 352 U. S. 988.
4-22-57	This Court denied certiorari to review decision of court affirming Order No. E-9360. 353 U. S. 941.

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INDEX

	Page
Opinions below	1
Jurisdiction	1
Question presented	2
Statute involved	2
Statement	3
Argument:	
The court below, having sustained the Board's finding that respondent's use of the trade name "North American" caused substantial public confusion, erred in modifying the scope of the Board's order	7
Conclusion	11

CITATIONS

Cases:	
American Airlines v. *North American Airlines*, 351 U. S. 79	5, 8, 9
Federal Trade Commission v. *National Lead Co.*, 352 U. S. 419	9, 10
Federal Trade Commission v. *Ruberoid Co.*, 343 U. S. 470	9, 10
Galter v. *Federal Trade Commission*, 186 F. 2d 810, certiorari denied, 342 U. S. 818	9
Jacob Siegel Co. v. *Federal Trade Commission*, 327 U. S. 608	2, 9, 10
Juvenile Shoe Co. v. *Federal Trade Commission*, 289 Fed. 57, certiorari denied, 263 U. S. 705	9
North American Aircoach Systems, Inc. v. *North American Aviation, Inc.*, 231 F. 2d 205, certiorari denied, 351 U. S. 920	6
North American Airlines v. *Civil Aeronautics Board*, 228 F. 2d 432	5
North American Airlines v. *Civil Aeronautics Board*, 240 F. 2d 867, certiorari denied, 353 U. S. 941	3
Phelps Dodge Corp. v. *National Labor Relations Board*, 313 U. S. 177	9

Statutes:
Civil Aeronautics Act, 52 Stat. 973, as amended, 49 U. S. C. 410, *et seq.*:
Sec. 411 ..... 2, 4, 5,
Sec. 1006 (e) 1
Federal Trade Commission Act, Section 5 (15 U. S. C. 45) .....
Miscellaneous:
14 C. F. R. 291.28 .....

In the Supreme Court of the United States

OCTOBER TERM, 1957

No. 55

AMERICAN AIRLINES, INC., PETITIONER

v.

NORTH AMERICAN AIRLINES, INC. AND CIVIL AERONAUTICS BOARD

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

BRIEF FOR THE CIVIL AERONAUTICS BOARD[1]

OPINIONS BELOW

The opinion of the Court of Appeals (R. 56–57) is reported at 235 F. 2d 863. The Board's opinion and order (R. 23–34, 40–52) and the dissenting opinion of Member Adams (R. 34–40) are not yet reported.

JURISDICTION

The judgment of the Court of Appeals was entered on July 12, 1956 (R. 57), and a petition for rehearing was denied on September 18, 1956 (R. 58). The petition for a writ of certiorari was filed on De-

[1] Although the Civil Aeronautics Board did not file a petition for certiorari, it is of the view that the decision below is erroneous.

cember 17, 1956, and was granted on January 28, 1957 (R. 59). The jurisdiction of this Court rests on 28 U. S. C. § 1254 (1).

QUESTION PRESENTED[2]

Whether the Board made an "allowable judgment in its choice of the remedy" (*Jacob Siegel Co.* v. *Federal Trade Commission*, 327 U. S. 608, 612) when, upon finding that respondent's use of the trade name "North American Airlines" caused substantial public confusion between it and petitioner "American Airlines" in violation of Section 411 of the Civil Aeronautics Act, it prohibited respondent from using any name containing the word "American."

STATUTE INVOLVED

The Civil Aeronautics Act, Sec. 411, 52 Stat. 1003, as amended, 66 Stat. 628, 49 U. S. C. 491, provides as follows:

> SEC. 411. The Board may, upon its own initiative or upon complaint by any air carrier, foreign air carrier, or ticket agent, if it considers that such action by it would be in the interest of the public, investigate and determine whether any air carrier, foreign air carrier, or ticket agent has been or is engaged in unfair or deceptive practices or unfair methods of competition in air transportation or the sale thereof. If the Board shall find, after notice and hearing, that such air carrier, foreign air carrier, or ticket agent is engaged in such unfair or deceptive practices or unfair methods of competition, it shall order such air carrier,

[2] See footnote 6, *infra*.

foreign air carrier, or ticket agent to cease and desist from such practices or methods of competition.

STATEMENT

Respondent North American Airlines, Inc., was incorporated under the name "Twentieth Century Airlines, Inc.," on May 4, 1946, and on July 22, 1947, received from the Civil Aeronautics Board a Letter of Registration authorizing it to engage in air transportation as a large irregular carrier (R. 1, 4). Commencing in April 1951, it conducted its operations under the names "North American Airlines" or "North American," and almost a year later, on March 3, 1952, its articles of incorporation were amended by changing its name to "North American Airlines, Inc." (R. 4). On March 11, 1952, respondent requested the Board to reissue its Letter of Registration in the name of North American.[3]

In August 1952, the Board's Economic Regulations were amended by the addition of Section 291.28 (14 C. F. R. 291.28), which required that registered ir-

[3] Respondent was one of the original members of a group known as the North American Combine, which also included three other registered irregular carriers, a promotional company, and the individuals controlling the companies. The group took its name from respondent North American Airlines. The original carrier members' operating authority has been revoked by the Board. *North American Airlines* v. *Civil Aeronautics Board*, 240 F. 2d 867 (C. A. D. C.), certiorari denied, 353 U. S. 941. This development, as well as the presently known operations of the members of the combine, were called to the Court's attention in a memorandum filed by the Board in August 1957, in which the possible mootness of this case was discussed. We adhere to our position expressed in the memorandum.

regular carriers must conduct their operations under the names in which their letters of registration were issued unless prior Board approval was obtained for the use of another name. Accordingly, respondent filed with the Board an application which, in pertinent part, requested Board approval of its use of the name "North American Airlines, Inc." (R. 2). Petitioner American Airlines[4] filed a memorandum in opposition, urging, *inter alia,* that such use of the name "North American" would constitute unfair competition in violation of Section 411 of the Civil Aeronautics Act (R. 2).

On January 28, 1953, the Board issued an order deferring action on respondent's application, and instituting an investigation to determine whether, by engaging in air transportation under the names "North American Airlines, Inc.," "North American Airlines," or "North American," respondent was or had been engaging in activities and practices forbidden by Section 411 (R. 1–4). Petitioner was permitted to intervene in the proceeding (R. 9).

On November 4, 1953, following extensive hearings, the Board found that there existed substantial public confusion between petitioner and respondent. This confusion, it found, had resulted from respondent's use of the names "North American Airlines, Inc.,"

[4] Petitioner was incorporated under the laws of Delaware on April 11, 1934, and has engaged in air transportation of persons, property, and mail since that time. It holds certificates of public convenience and necessity to engage in regularly scheduled air transportation between points also served by respondent. It has registered the name "American Airlines" under the Federal Trademark Act (R. 4).

"North American Airlines" and "North American," and from the similarity of those names to the words "American" and "American Airlines" as used by petitioner (R. 24). It concluded (R. 23, 31, 33) that respondent's use of the names "North American" or any combination of the word "American" constituted "an unfair or deceptive practice and an unfair method of competition within the meaning of section 411 of the Act," and that prohibition of respondent's use of such names was necessary to prevent "public confusion between air carriers operating between the same cities." Accordingly, in order that "the public should be protected from the effects of the confusion * * * by eliminating what we find to be the cause of such confusion" (R. 31–32), the Board ordered respondent, its successors, assignees, agents, etc., to "cease and desist from engaging in air transportation under the names North American Airlines, Inc., North American Airlines, North American, or any other name which includes the word American" (R. 51–52).

On petition for review, the court below set aside the Board's order. *North American Airlines* v. *Civil Aeronautics Board*, 228 F. 2d 432. This Court, on April 23, 1956, reversed the judgment of the Court of Appeals, holding (1) that the Board properly had concluded that the proceeding was in the public interest, and (2) that the Board may prohibit, as an unfair or deceptive practice or an unfair method of competition under Section 411, the use by an air carrier of a confusingly similar trade name. *American Airlines* v. *North American Airlines*, 351 U. S. 79. However, because the Court of Appeals had not "decided

whether the Board's findings were supported by substantial evidence on the record as a whole," the case was remanded to the Court of Appeals for that determination. 351 U. S. at 86.

About a month later, in May 1956, respondent abandoned use of the name "North American" and, without obtaining prior Board approval, commenced operations under the name "Trans American Airlines" (R. 57).[5] This action followed an injunction issued by the United States District Court for the Southern District of California in a private unfair competition suit brought by North American Aviation, Inc., an aircraft manufacturer, enjoining respondent and others from using any name which included the words "North American." *North American Aircoach Systems, Inc.* v. *North American Aviation, Inc.*, 231 F. 2d 205 (C. A. 9), certiorari denied, 351 U. S. 920.

Upon remand, the Court of Appeals held (R. 56) that the Board's finding that respondent's use of the name "North American" causes "substantial public confusion which is likely to continue" "is supported by the evidence" (R. 56). It accordingly affirmed so much of the Board's order as required respondent to cease and desist from engaging in air transportation under the names "North American Airlines, Inc.," "North American Airlines," or "North American" (R. 58). However, the court set aside the remainder of the order which forbade respondent's use in air transportation of any other name which includes the word "American," on the ground that "the evidence

[5] This name was taken from Trans American Airways, Inc., another corporate member of the North American Combine.

does not support the finding of the Board that the term 'American' had acquired a secondary meaning before [respondent] incorporated that term in its name or changed its corporate name, or the finding that such secondary meaning continues to exist" (R. 56, 57–58).

ARGUMENT

THE COURT BELOW, HAVING SUSTAINED THE BOARD'S FINDING THAT RESPONDENT'S USE OF THE TRADE NAME "NORTH AMERICAN" CAUSED SUBSTANTIAL PUBLIC CONFUSION, ERRED IN MODIFYING THE SCOPE OF THE BOARD'S ORDER

The Court of Appeals upheld, as supported by substantial evidence, the Board's finding that respondent's use of the name "North American" caused substantial public confusion, and it upheld the Board's order insofar as it ordered respondent to cease and desist from engaging in air transportation under that name. However, the court set aside that portion of the Board's order which prohibited respondent from using any other name which includes the word "American," on the ground that "the evidence does not support the finding of the Board that the term 'American' had acquired a secondary meaning before petitioner incorporated that term in its name or changed its corporate name" (R. 56). In thus modifying the order, however, the court misconceived the basis upon which the Board prohibited use of the word "American." That prohibition did not rest on the finding that the word had a secondary meaning, but on the Board's determination that the broad order was necessary to cure the statutory violations shown by the record.

The Board found that the similarity of the various "North American" names used by respondent and the names "American" and "American Airlines" used by petitioner had caused substantial public confusion between the carriers, and that such "confusion * * * is likely to continue" (R. 33). It concluded (R. 31–32) that "the public should be protected from the effects of the confusion * * * by eliminating what we find to be the cause of such confusion," namely, engaging in air transportation under the name "North American" or any other name which includes the word "American" (R. 33). While the Board did hold that the word "American" had acquired a secondary meaning denoting petitioner (R. 29), it expressly stated that even without such secondary meaning a cease-and-desist order nevertheless would issue, since

> [w]e do not believe that in a case like the present, secondary meaning must be proven in order to protect the public against a clearly demonstrated and substantial confusion. And this is certainly true where, as here, respondent has adopted a corporate name confusingly similar to the earlier adopted corporate name 'American Airlines'." [R. 30.]

This ruling was in accord with judicial decisions that under Section 5 of the Federal Trade Commission Act (15 U. S. C. 45), after which Section 411 of the Civil Aeronautics Act was fashioned (*American Airlines* v. *North American Airlines*, 351 U. S. 79, 82), a Commission cease-and-desist order directed against use of trade names which cause substantial public confusion does not require a finding of secondary

meaning. *Galter* v. *Federal Trade Commission*, 186 F. 2d 810 (C. A. 7); certiorari denied, 342 U. S. 818; *Juvenile Shoe Co.* v. *Federal Trade Commission*, 289 Fed. 57 (C. A. 9), certiorari denied, 263 U. S. 705; cf. *American Airlines* case, *supra*, at 85.

Since the Board's order prohibiting use of the name "American" did not rest on the finding that the word had a secondary meaning, the court's reversal of that finding did not justify modification of the order. On the contrary, in view of the court's affirmance of the Board's finding that there was substantial public confusion between the names "North American" and "American," the only issue with respect to the scope of the order was "to ascertain whether the Commission [Board] made an allowable judgment in its choice of the remedy." *Jacob Siegel Co.* v. *Federal Trade Commission*, 327 U. S. 608, 612.

The Board "has wide latitude for judgment and the courts will not interfere except where the remedy selected has no reasonable relation to the unlawful practices found to exist." *Id.* at 613; *Phelps Dodge Corp.* v. *National Labor Relations Board*, 313 U. S. 177, 194; *Federal Trade Commission* v. *Ruberoid Co.*, 343 U. S. 470, 473; *Federal Trade Commission* v. *National Lead Co.*, 352 U. S. 419, 428–430. And, "[i]n carrying out this function" of "prevent[ing] illegal practices in the future * * * the [Board] is not limited to prohibiting the illegal practice in the precise form in which it is found to have existed in the past. * * * [I]t must be allowed effectively to close all roads to the prohibited goal, so that its order may not be by-passed with impunity." *Federal*

Trade Commission v. *Ruberoid, supra; Federal Trade Commission* v. *National Lead Co., supra.*

Here, the Board found that respondent's trade name "North American" was so similar to petitioner's name "American" as to cause substantial public confusion in violation of Section 411. The order, by prohibiting respondent from using any name containing the word "American," was designed to eliminate "the cause of such confusion" (R. 32), namely, respondent's use of that word. Certainly the order has a "reasonable relation to the unlawful practices found to exist" (*Siegel, supra*); in fact, the order is directed at the very cause of such practices.

To limit the Board's order, as the Court of Appeals has done, to prohibiting use of the particular word combination "North American," would contravene the rule that the Board "is not limited to prohibiting the illegal practice in the precise form in which it is found to have existed in the past" (*Ruberoid, supra; National Lead, supra*). That such a narrow order would not be "'adequate to cope with the unlawful practices' disclosed" (*Ruberoid, supra*) is borne out by the fact, that, during the pendency of this litigation, respondent changed its name from "North American" to "Trans American." Thus, although respondent's use of the word "American" was clearly the source of the confusion, the modification made by the court below would permit respondent, by the simple expedient of substituting one monosyllabic prefix for another, to continue using that very word. As this Court has pointed out (*Ruberoid, supra*) agen-

cies may make their orders sufficiently broad so that they "may not be [thus] by-passed with impunity."

CONCLUSION [6]

For the reasons stated, it is respectfully submitted that the judgment of the Court of Appeals, insofar as it set aside part of the Board's order, should be reversed.

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DECEMBER 1957.

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[6] Because it seems clear that the decision below is substantively erroneous, we believe it unnecessary for the Court to reach, and the Government does not intimate any view upon, the first question specified in the petition for certiorari. That question is stated to be (Pet. 4) "whether the Court of Appeals, going beyond the purpose of this Court's remand, can review the scope of a remedial order where the respondent had made no objection thereto either before the Board or even before the Court of Appeals, thus defeating a limitation in the applicable statute [Section 1006 (e) of the Civil Aeronautics Act] which confines the reviewing court to the consideration of objections urged before the Board."